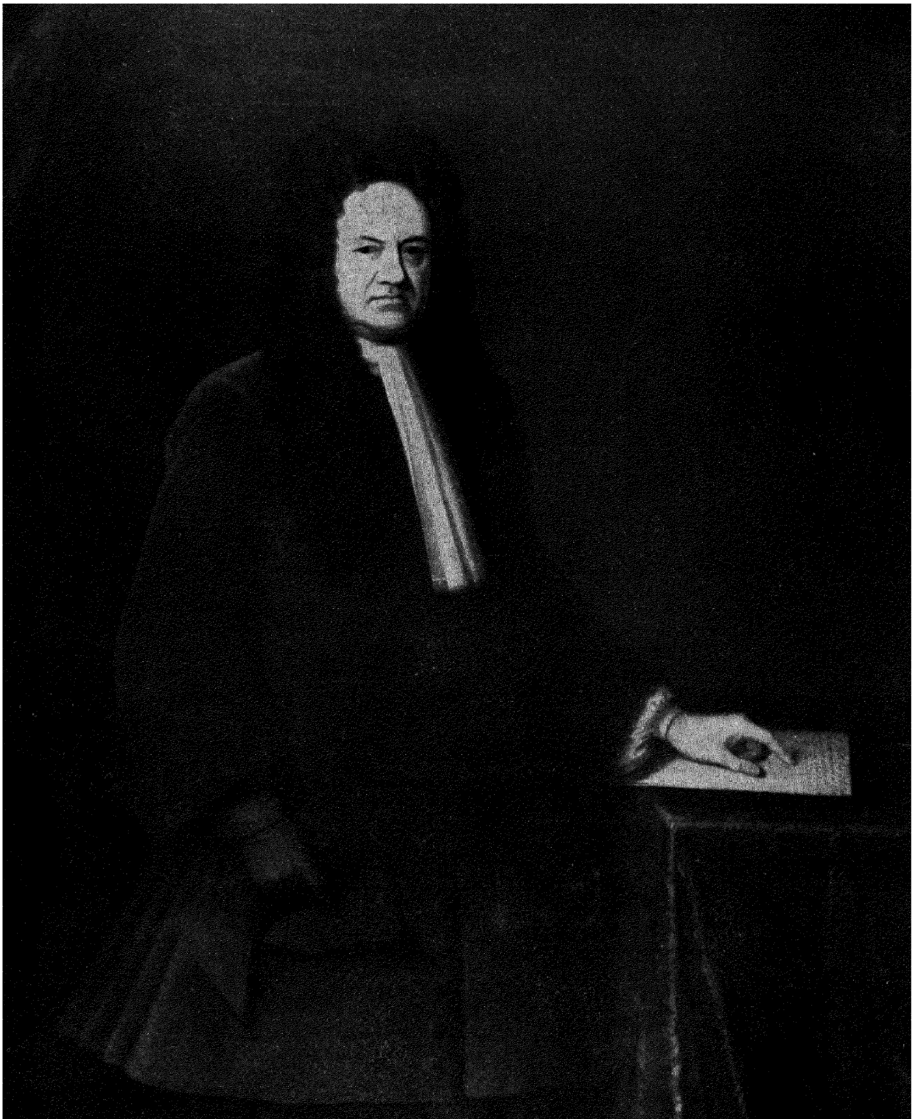

WILLIAM LOWNDES *Secretary to the Treasury* 1695–1724

THE BANK OF ENGLAND

A History

BY

SIR JOHN CLAPHAM
C.B.E., LITT.D., F.B.A.

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CONTENTS

PLATES

PREFACE

These two volumes have been written at the request of the Bank for its two hundred and fiftieth birthday. They aim at telling its public and economic history, with no more than a light background of general affairs, economic or political. That the volumes might not grow into three, or even four, the temptation to wander into attractive bypaths has been resisted. For their composition all the surviving books and papers of the Bank have been thrown open to me. Its whole staff, from the Governor to the messengers, have helped me. Retired Directors and Officers have contributed their memories. But selection of material for use, with expression of opinion, is my own throughout. Various Directors and Officers have read the typescript or the proofs, in whole or in part, and have corrected facts or suggested modifications. But nothing whatever has been imposed.

Those inside the Bank who have helped me most and most continuously are in the Secretary's Office. It is their wish that I should not name them.

From outside, my chief debts are due to Mr W. M. Acres—once an insider—to Professor Jacob Viner of Chicago, and to Professor F. A. von Hayek of the London School of Economics. Mr Acres' *Bank of England from Within* (1931) has been my constant companion, and he has seen my proofs. Overlap between us was inevitable at certain points: though the fields—the private and the public histories—can generally be fenced off, each must at times project into the other. Mr Acres' appendices of Directors and Officers I have consulted daily.

When my work began, at the end of 1938, I found at the Bank an inquiry from Professor Viner about that then very obscure affair the Subscription for the Circulation (of 1711–1759). He supplied printed references which might otherwise have escaped

REFERENCES

USED IN THE FOOTNOTES

BANK MSS.

G.C.B. I, II, etc.	General Court Books (of Minutes).
C.B. A, B, etc.	Court Books.
C.T. 1, 2, etc.	Committee of Treasury Books.
L.B. various series	Letter Books.
G.L. I, II, etc.	General Ledgers.

Other MSS are quoted by their full titles.

PRINTED SOURCES

A. & P.	Accounts and Papers (of Parliament).
Ec.H.R.	Economic History Review.
E.H.R.	English Historical Review.
E.J.	Economic Journal.
E.J. (Hist.)	Economic Journal. Historical Supplement.
J.H.C.	Journal of the House of Commons.
J.H.L.	Journal of the House of Lords.
Q.J.E.	Quarterly Journal of Economics.

CHAPTER I

THE ANTECEDENTS AND THE FIRST THREE YEARS OF THE BANK

THE establishment of the Bank of England can be treated, like many historical events both great and small, either as curiously accidental or as all but inevitable. Had the country not been at war in 1694, the government would hardly have been disposed to offer a favourable charter to a corporation which proposed to lend it money. Had Charles Montagu, a Lord of the Treasury, and from 1694 Chancellor of the Exchequer, not thought that, out of several scores of financial schemes submitted to him, this was on the whole the most promising, there would again have been no charter or perhaps quite a different one.[1] Even as it was, and as every one knows, owing to political pressure a second parliamentary concession to an alternative and rival sort of bank, the stillborn Land Bank, was made in 1696; and the institution which if it had succeeded would have been The National Land Bank of England was only one of several experiments, some of them more intelligent and rather more successful, made in those years of boom and speculation by people who thought with Defoe that "Land was the best bottom for public banks".[2]

Defoe printed this opinion after the foundation of the Bank of

[1] Richards, R. D., *The First Fifty Years of the Bank of England* (*History of the Principal Public Banks*: The Hague, 1934), p. 201.

[2] From the *Essay upon Projects*, 1697. The various Land Bank schemes are discussed in Scott, W. R., *Joint Stock Companies to* 1720 (1911), III, 246–52.

England, but the discussion about public banks had been going on for many years while an efficient system of private banking was developing in London; and it is this widespread and long drawn out discussion which suggests that the establishment of at any rate a Bank of England was inevitable. No doubt London might have developed her private banking system further, and private banking might have spread from London over the whole country—as in the eighteenth century it did—without any charters or Acts of Parliament. But that is unlikely. A banking system is so closely associated with public borrowing and with what is almost the oldest and the most jealously guarded function of the state, the issue of money, that governments can seldom afford to leave it entirely unlicensed and uncontrolled; although the very wide liberty of note issue left to the actual Bank of England and to the private banks during the eighteenth century suggests that in these matters the English government of that time was in a very apathetic, even a somnolent, mood.

The intimate relations of England with Holland after 1688; the general admiration of Dutch economic achievement; and the well-grounded belief that Holland owed a great deal to her public banks and especially to the Bank of Amsterdam—"The greatest Treasure, either real or imaginary, that is known anywhere in the World", according to Sir William Temple[1]—all helped to put such banks on the agenda for daily discussion under William and Mary. But they had been discussed by men of affairs, thinkers and writers long before that—naturally enough seeing that public banks of one kind or another had existed for generations, even for centuries, in those Italian cities "where the greatest Banks and Bankers of Christendom do trade", as an English merchant wrote early in the reign of Charles I;[2] that the Bank of Amsterdam

[1] *Observations on the United Provinces of the Netherlands* (ed. G. N. Clark, 1932), p. 61.

[2] Mun, T., *England's Treasure by Foreign Trade* (ed. W. J. Ashley, 1895), p. 69.

was founded in 1609; followed by local banks at Middelburg, Delft and Rotterdam; the Bank of Hamburg in imitation of Amsterdam in 1619; and the Bank of Sweden in 1656. On the coasts of the Mediterranean, the North Sea, the Baltic, English merchants of the seventeenth century came into touch with public banks: the influence of these merchants on government was on the increase and so were the public banks.

When one of the founders and first directors of the Bank of England, the naturalized French-Fleming, Sir Theodore Janssen, wrote a *Discourse concerning Banks* in 1697, he knew of about twenty-five public or semi-public banking institutions in Europe. Some of these, as he put it, were "for Safety and Conveniency" only and had no regular income; some, as the Bank of Genoa, existed only to draw income from the state, being mere societies of government creditors; and some were for both "Conveniency" and income. In this third small group he put the new Bank of England—it drew income from the state, in return for its loan, and was a great "Conveniency" to all its different kinds of customers. Issue, that prominent banking function to the modern economist, his classification does not cover; for none of his twenty-five institutions were banks of issue, though for a short time one of them had been. Very likely Janssen did not know that the Bank of Sweden at Stockholm started "the first issue of actual bank notes in Europe"[1] in 1661; for the issue like the bank was small and the Swedish government stopped it three years later. He was right in stating that the "giving out Notes payable to Bearer", a practice which he thought "liable to many Dangers and Inconveniences", was a peculiarity—among public banks—of the new Bank of England.

But, Janssen continued, "The Custom of giving Notes hath so much prevailed amongst us that the Bank could hardly carry on Business without it". This view was evidently shared by his colleagues, though they covered up their opinion so well that

[1] Heckscher, E. F., in *History of the Principal Public Banks*, p. 169.

one could read the clauses of the Act of Parliament to which the Bank owed its existence, or the whole of its Charter, without realizing that a new and experimental type of public bank was being created, a bank "for Conveniency", and "Income", and issue; but in the first place for issue. Many of the writers who in the forty or fifty years preceding 1694 had discussed the foundation of some sort of a national bank in England—especially the earlier of them—had overlooked the issuing function, no doubt because their great continental models did not possess it, and because it was only evolving slowly and privately among the English goldsmith bankers of the Commonwealth and the Restoration. One of the best known of these earlier writers was Samuel Lambe of London, merchant, author in 1658 of the *Seasonable Observations humbly offered to His Highness the Lord Protector.*[1] Lambe, who was a great admirer of Dutch banking though it is not certain that he entirely understood it, wanted to see a Bank in London governed by men chosen from the big trading companies—the East India, the Levant, the Russia, and so on—one of whose functions would be to "let out imaginary money or credit, upon ticket, at 2½ % and 3 % at the most"; but there is no reason to think that he conceived of this "imaginery money" in the form of notes payable to bearer. It is likely however that when, twenty-three years later, that ingenious and distinguished man Sir William Petty touched lightly on the matter in his odd little *Quantulumcunque concerning Money*, the bank note, now becoming familiar, was in his mind. The pamphlet is drawn up in question and answer form. Question 26 runs "What Remedy is there if we have too little Money?" and its Answer "We must erect a Bank, which well computed, doth almost double the Effect of our coined Money: and we have in England Materials for a

[1] Printed in Somers' *Tracts* (1751), x. For other plans see Scott, *Joint Stock Companies*, III, 201 and Richards, R. D., *The Early History of Banking in England* (1929), ch. IV and "Early English banking schemes", in *Journal of Economic and Business History*, I, 96 (1928).

Bank which shall furnish Stock enough to drive the Trade of the whole Commercial World".

Issue was the last of the classical banking functions to evolve spontaneously in England, and it was England's main contribution to the evolution of European banking. Deposit in some form or another, if only in that of leaving your valuables with a man whom you trust who has a strong room, is very ancient; money-lending perhaps more ancient still. Discount, the purchase of bills of exchange, goes back in Europe to the twelfth century and was well known in England in the later Middle Ages. But the com bination of all these functions in one pair of hands, which constituted modern banking, and the supplementing of deposit by use of the "write-off" from one account to another, and of the cheque for making payments to anyone, only took place finally in England between about 1630 and 1670. About 1630 Thomas Mun was explaining how "The Italians and some other Nations... have Banks both publick and private, wherein they do assign their credits from one to another daily for very great sums...by writings only".[1] But England at that time had none.

The origin of the cheque in England has been sought in various documents of an official kind authorizing transfers of money.[2] In the sixteenth and seventeenth centuries the City was familiar with Exchequer "debentures", official promises to pay fees or pensions. The authorized recipient might wish to transfer his right to draw the money, or part of it, to someone else. His letter asking for such a transfer was in form not unlike the early cheque, which was also a letter. Somewhat similar transactions connected with the more general Treasury orders to pay money may also, it has been suggested, have influenced the development of the cheque. These orders became specially important in the Restoration

[1] *England's Treasure by Foreign Trade*, p. 23.

[2] Richards, R. D., "The Origin of the Cheque", in *The Banker*, Jan. 1929, and the review of Richards, *Early History of Banking*, *Times Lit. Sup.* 13 Feb. 1930.

period, and goldsmith bankers were handling them on a large scale before 1672. Methods of "drawing on" one's credit with the government may conceivably have had the influence suggested. And the earliest surviving cheques—or "drawn notes" as they were then called—do date from precisely this period. But the connection is not proved, and in any case a note addressed to a man who owes you money asking him to make a payment out of it to someone else is so natural a thing that it hardly requires an official pedigree.

And in fact it is met with in the accounts of men who were performing some bankers' functions before the goldsmiths; for those functions have a long and varied ancestry. From the last years of Elizabeth's reign a London merchant, Thomas Farrington, was acting as banker to the Temples of Stowe.[1] The money due from sales of their wool and beasts to London wool-staplers and butchers was paid in to him, and so were some of the Temple rents. When there was a good balance, Farrington lent Temple money to fellow-merchants like any banker. And he is found making payments out for his clients as required, "By order of your letter". Here is the cheque in its original epistolary form—"Mr So and So, pray pay to A. B. the sum of x pounds and be pleased to place it to the account of your friend and servant C. D."[2] No doubt, if more sixteenth and seventeenth century business correspondence had survived, other letters of this kind would be known. It would not be hard to find analogies to them from the Middle Ages. At various points in England during the seventeenth century newly risen merchants—coalowners from Tyneside early in the century, Lancashire linen-drapers towards its close[3]

[1] Gay, E. F., "The Temples of Stowe and their Debts", in *Huntington Library Quarterly*, July 1939.

[2] Based on an early cheque quoted in Martin, J. B., *The Grasshopper in Lombard Street* (1892), p. 129, in which A. B. is the Honourable Dudley North, x a thousand pounds, and C. D. Yarmouth.

[3] For Tyneside see Nef, J. V., *The Rise of the British Coal Industry* (1932), II, 120; for Lancashire, Wadsworth, A. P. and Mann, J. de L., *The Cotton Trade and Industrial Lancashire* (1931), pp. 93, 96, 249.

—are found acting as bankers of a sort, at least as money lenders and money remitters, for their clients. If we had their papers—we generally have little beside the record of their lawsuits—we might well find among them cheque-like letters requesting them to make payments out. It is fair, however, to add that their clients, so far as they are known, were generally borrowers rather than depositors, and rarely had balances to draw upon.

This was the position of the Temples of Stowe after 1610. They were chronic borrowers. They no longer, it appears, dealt with banker-merchants but with the other chief class of men who performed some banking functions before or alongside of the London goldsmiths. These were the Money Scriveners, as the small group of financial specialists among the scriveners came to be called. They were notaries, in Scottish terminology Writers, who specialized in conveyancing and mortgage work. John Milton senior, the poet's father, was one of them. He did business for the Temples.[1] They acted as intermediaries between the tradesmen, merchants and lawyers, with a few country gentlemen or their widows, who wanted a safe investment, and those borrowing and mortgaging people who were usually found higher up the social scale, like the Temples. As scriveners might offer interest to secure deposits which they subsequently lent out, they came near to being bankers; just as they did by acting as cashiers for merchants, making payments for them and rendering accounts. But, so far as is known, no true banking house ever grew from a scrivener's office. Far down the eighteenth century the Money Scrivener remained a distinct legal type, "employed to find out estates to purchase" or having "money to lay out for some and borrow for others".[2] He was simply a specialist in the still common solicitor's business of finding a mortgage for an investing client.

[1] Gay, *op. cit.*

[2] Campbell, R., *The London Tradesman* (ed. of 1757), p. 80. The section in Campbell is headed "Of the Conveyancer and Money Scrivener".

The Temples' debts illustrate perfectly the succession of types from among whom the London private banker emerged. In the thirties of the seventeenth century they were borrowing from a merchant of St Paul's Churchyard, Richard Child, but also from Thomas Vyner, later Sir Thomas, the goldsmith of Lombard Street. A goldsmith had always been a possible custodian of other men's valuables, for he had so many of his own to take care of. It was natural, too, that he should often receive foreign monies and credit his customers with their equivalent in English currency. Under Elizabeth specialists in this exchange of currencies were called bankers; and by 1600 the principal exchange specialists were goldsmiths.[1] Exchange had once been a royal monopoly but it had slipped from the hands of the crown agents. The last attempt of the Stuart kings to regain control was made in 1627, and failed. Three years later came a treaty with Spain by which England acquired masses of silver. These were coined to the amount of £8–9,000,000.[2] During the next twenty or thirty years, and especially during the troubles of the Civil Wars, goldsmith specialists in currency "culled over" the coins that passed through their hands, exported or melted what was of full weight, and left the lighter in circulation.[3] In connection with these operations and with the money-lending business that they shared with merchants scriveners and others, goldsmiths were ready to pay interest on those deposits which they knew how to use profitably. There exists among the records of Messrs Hoare a receipt which suggests a deposit of 1633, made at the Golden Bottle in Cheapside.[4] At that time deposit of one kind or another was no novelty;

[1] For the whole question see Richards, *The Early History of Banking*, and "The pioneers of banking in England", in *E.J.* (*Hist.*), 1929.

[2] More than £3,000,000 of gold was coined under Charles I, but silver was still the dominant standard metal. For the treaty see Feavearyear, A. E., *The Pound Sterling* (1931), p. 82.

[3] Export of coin was illegal, but it went on; so did melting; Feavearyear, *The Pound Sterling*, p. 84.

[4] Richards, *The Early History of Banking*, App. I.

yet thirty years later such a well-informed and sagacious official as Mr Pepys still hoarded a great part of his cash, though he had also money "out" with Alderman Backwell, the goldsmith, "the great money man".

A sentence often quoted from Clarendon tells the story accurately enough, although men of his class were not always aware of everything that was going on in the City. "Bankers", says he, "were a tribe that had risen and grown up in Cromwell's time, and never were heard of before the late troubles, till when the whole trade of money had passed through the hands of the scriveners; they were for the most part goldsmiths."[1] Before the forties goldsmith bankers had in fact not emerged as a distinct and dominant group from the mass of merchants, scriveners, ordinary goldsmiths, brokers, miscellaneous money-lenders and usurers who supplied the needs and did some "trade of money" for the nobility, gentry, and other borrowers. The author of *The Mystery of the New Fashioned Goldsmiths or Bankers* when he wrote in 1676 that during the Civil Wars "some merchants did begin to put their Cash into goldsmiths' hands" was a little at fault, if we are to emphasize the word begin; but evidently in those restless and creative years, when property was uncertain and rapidly changing hands and public expenditure heavy, the necessities both of individuals and of the parliamentary and Cromwellian governments gave a handful of ambitious goldsmiths their chance. It was at Goldsmiths' Hall that a joint committee of M.P.s and London citizens sat to raise money and mulct the royalists during the Civil War;[2] and in the end the leading goldsmith, Alderman Backwell, kept accounts for "The Commonwealth of England"—and later for King Charles, Prince Rupert and Mr Pepys.[3]

[1] Clarendon's *Life* (ed. of 1827), III, 7.

[2] Hill, C., "The Agrarian History of the Interregnum", in *E.H.R.* April 1940, p. 228.

[3] Richards, R. D., "A pre-Bank of England English banker—Edward Backwell", in *E.J.* (*Hist.*), 1928: Clark, D. K., "Edward Backwell as a Royal Agent", *Ec.H.R.* Nov. 1938.

All political and economic systems and institutions were being discussed freely in Oliver's day, among them national banks, banks that were to be public and responsible. Their advocates naturally had in mind the banks of varying type at Amsterdam or Hamburg, at Genoa or at Venice—republics or free cities all of them. Twenty or thirty years later, republics being out of fashion, it was a common argument against any suggestion of an official bank for England that such a thing was not in place in a monarchy: all "our more refined Politicians" said so.[1] And in fact the only country that had both a king and a public bank was Sweden, with its small, not very well known, and not very active bank at Stockholm.

In the early years of the Restoration, the goldsmith bankers of London were doing every kind of banking business. They accepted deposits at interest—6 per cent was a normal rate—giving receipts, on presentation of which repayment was made; they kept "running cashes", also interest bearing, but without the formal receipt, and so easily drawn upon; they honoured their customers' "drawn notes" on these; and their own promises to pay the depositor or his order, and then the depositor or the bearer, their "bills" or "notes", were getting into circulation. As goldsmiths they bought and sold bullion and did ordinary money-changing. They had correspondents for foreign exchange business. With the funds at their disposal they discounted commercial bills and different sorts of official obligations—tallies, Exchequer orders of various kinds. And since "at least two"[2] of them held money for others, it is not fantastic to speak of "bankers' bankers"; though to speak of central banking would be excessive.

[1] *A Brief Account of the intended Bank of England* (1694), p. 2: the pamphlet is credited to William Paterson by Bannister, S., *The life and writings of William Paterson* (1858).

[2] Richards, "Edward Backwell", in *E.J.* (*Hist.*), p. 336. The two were Backwell and Sir Robert Vyner (or Viner).

The dependence of Charles II's government on them—especially on Backwell and Vyner—is known to every schoolboy. Pepys, trying desperately to raise money for the Navy in 1665–6, "did despair of compassing it", "so long as we and the world must be subjected to these bankers".[1]

A novel way of escape was tried by the King's officials in the course of the year 1667. Under a recent Act (17 Car. II, c. 1) those who advanced money or stores to the government, especially for the Navy, were to receive "tallies of loan" and interest-bearing orders, to be cashed in regular sequence from the taxes granted by Parliament. The officials "immediately extended" the system "to other sources or branches of revenue which had been never contemplated by the original Act".[2] Orders were issued for round sums of £100 or £1000, with no reference to money lent or goods supplied, though on the general credit of some branch of the revenue—the Customs perhaps or the Excise. The orders were transferable by endorsement and they have been claimed, with some reason, as "the origin of official paper money in England".[3]

Under a more solvent and trusted government a regular system of state paper money might conceivably have developed from them, and one of the main functions of the future Bank of England,

[1] Bryant, Arthur, *Pepys*, 1, 282.

[2] Shaw, W. A., "The Treasury Order Book", in *E.J.* 1906, p. 39. The wooden tally, originally a receipt, had been used extensively, though not for the first time, as a "tally of assignation" from 1660: it instructed Customs farmers to pay A. B. so much. The "tally of loan" was a further development; with its associated order for repayment, it proved a too easy way of anticipating revenue. The tallies in the Bank collection are all of *sol* (*utum*), receipts for money lent. For its interest it got tallies of *pro*, to be cashed by tax receivers. These it could not keep. Its loan tallies are for sums from £25,000 to £50,000 and vary in length from 4 ft. to over 8 ft.

[3] Shaw, *op. cit.* p. 40. And see Shaw in *Owens College Historical Essays*, 1902, p. 418, and in the *Calendar of Treasury Books*, III, xxxvii. Sir Ed. Ford had suggested the issue of inconvertible paper money in his *Experimental Proposals how the King may have money to Pay and Maintain his Fleets* (1666).

issue, might not have been required. Indeed there might never have been a Bank. But the government, though ably served, had inherited an impossible financial position and was running deeper into debt. Its orders soon stood at a heavy discount. By means of them, and of other devices, it had anticipated a whole year's revenue and was in debt by about £1,000,000 to "these bankers". Then, in January 1672, it stopped payment of interest on part of this debt, using the money so saved for its current needs.

The Stop of the Exchequer was not so important in national or in banking history as was once supposed. The twentieth century has become hardened to suspensions of interest and the Stop was not a repudiation: after some delay interest payment was resumed. It did great damage to Vyner, Backwell, and a few other leading goldsmiths; but Vyner, who was hardest hit, carried on somehow for twelve years, Backwell for ten; though neither was very effectively in business after 1672. Several important bankers, however, were not touched; there were rich goldsmiths in reserve ready to develop the banking side of their business; and some of the "servants" of the falling houses, their clerks, started business on their own account.[1] There had been about thirty goldsmiths who "kept running cashes" in 1670; according to the *Little London Directory* of 1677 there were then more than forty.[2] But though the Stop barely checked the growth of private banking, and though Dudley North coming back to London in 1680 was amazed to find how many payments were made by bills drawn on goldsmiths,[3] it did block any notion that may have been afloat or might have been suggested for developing a pure state fiduciary issue of paper money. The interest bearing tallies

[1] For example, Charles Duncombe was "servant" to Alderman Backwell. He started on his own account when Backwell became embarrassed. Hilton Price, F. G. (*A Handbook of London Bankers*, p. 109), thought "he was able to carry on the greater part of the Alderman's business"; but this is doubtful.

[2] Hilton Price gives the lists; also a full account of Backwell. And see Richards in *E.J.* (*Hist.*), 1928, and Clark in *Ec.H.R.* as above.

[3] As quoted by Macaulay, *History of England*, ch. xx.

and orders had been overdone. It is almost unthinkable that anyone could have accepted a new sort of non-interest-bearing official promise to pay. The credit of Charles and his government was not good enough. When Petty came to discuss the means of getting a larger circulation in 1682, his immediate suggestion was a Bank; no doubt a public bank of some sort—on that he was not precise—but certainly not a straight issue of government paper money. The mere proposal of such an issue, had anyone contemplated it, would have been very daring—though Petty was not the man to shy at novelties. The royal officials were in no position to make any further experiment. To Parliament it could hardly have been made plausible, if Parliament had been called by King Charles; and after 1680, except for a week or two in 1681, it was not. The King carried on with the aid of French money, while in London the use of banks spread and the need for some strong central institution grew, after the greatest goldsmiths, Vyner and Backwell, had collapsed. An attempted City of London Bank had proved a failure in 1682; and a National Bank of Credit, for loans to merchants, had come to nothing in 1683.

In spite of political anxieties, the last years of Charles II and James II's short reign were a time of active commerce and considerable prosperity. There were banking difficulties and failures, especially at the time of Monmouth's rebellion in 1685, but there was also an almost incredible addition to that national stock of bullion which it was part of the goldsmith bankers' business to handle. In June 1687 there began to reach London the first treasure salved by an English company from a Spanish ship lost over forty years earlier near Hispaniola. The company paid about 10,000 per cent and divided a sum equal to a fifth of the national revenue.[1] This whetted the appetite of the promoters—the "projectors" as they were called—of a vigorous and inventive age, in which all sorts of men were "joining their heads to understand

[1] Scott, II, 485–6.

the useful things of life",[1] and to make money. The Revolution over and Dutch William on the throne, a whole series of treasure-hunting companies was set up, forerunners or products of the promoting boom of 1692–5, in which both the Bank of England and the Bank of Scotland came into existence; the boom in connection with which all the modern organization of the stock exchange was in operation, though in primitive form; and as a result of which more than a hundred and fifty companies, two-thirds English and one-third Scottish, started lives most of which were brief and unfortunate. In 1692 there had not been twenty companies in Britain.[2] And all this activity was in time of war, that war of the Grand Alliance against France which William fought from 1690 to 1697.

Among the projectors were Dr Hugh Chamberlen, John Asgill, John Briscoe and Dr Nicholas Barbon—now known to be the son of Praisegod "Barebones"—who appear in banking history as advocates of land banks; John Holland, a reputed Englishman, the projector of the Bank of Scotland, and William Paterson, an undoubted Scot, projector of the Bank of England. Most of these were not single-project men but regular promoters. Chamberlen was interested in fishery schemes, Holland in Colchester baize and other projects. Barbon's best work was done in insurance; and Paterson projected not only that tragic Scottish failure, the Darien venture, but also the Hampstead Aqueducts, in which he acquired founders shares gratis—"maiden shares" they were called in his day. He was a wanderer; probably, like many other Scots, a pedlar turned merchant. He had become a Merchant Tailor by redemption—paying for it. Macaulay's gibe about his friends saying he had been a missionary, his enemies a buccaneer, seems to have no more certain basis than Paterson's acquaintance with the West Indies. Whether he was strictly the originator of the final Bank of England scheme, or

[1] Sir Robert Southwell to Mr Pepys: Bryant, *Pepys*, III, 231.

[2] Scott, I, 327.

merely the mouthpiece of a City group, we cannot be quite sure. We know, on his own testimony, that he had laid two earlier versions before Government but without success.[1] About the existence of the City group there is no doubt. "Several men of good abilities had for many years past employed their thoughts on this important subject." They contemplated combining a simple association of public creditors—such as the Bank of Genoa actually was—with an institution resembling the goldsmiths' banks, "having circulating notes or bills, but...without the hazard of bankruptcies"[2] which goldsmiths had to face. In his final dealings with Parliament, Paterson had to refer back to this group, which he then represented.

"The first framers and proposers of the Bank", he once wrote, "were only particular men, and not in public places or preferments".[3] Of the two "most eminent" in its "framing and establishing"[4] he put first Michael Godfrey, who became Deputy-Governor, the nephew of that unhappy Sir Edmund Berry Godfrey whose murder at the time of the Popish Plot is still unexplained; second an anonymous person, obviously himself. The ease with which he was removed from the directorate after less than seven months' service suggests that in real influence he may have been far below second place; though he may well have supplied the main ideas to Godfrey, the three Houblon brothers—Sir John, Sir James and Abraham—Sir William Scawen, Sir Gilbert Heathcote, Theodore Janssen and the other strong City members of the original Court of Directors.[5]

Paterson appeared before a Committee of the Commons appointed in January 1693 to report on schemes for raising money.

[1] Bannister, *Paterson*, II, 67–8.

[2] Anderson, Adam, *History of Commerce*, II, 602, based on Paterson.

[3] Bannister, *Paterson*, II, 64. [4] *Ibid.* pp. 70–71.

[5] For the removal from the directorate see Acres, W. M., *The Bank of England from Within* (1931), ch. VIII. On 29 Dec. 1694 he had been ordered to sign the "instrument", or bond, promising to pay the outstanding £1000 of his subscription (*C.B. A*): this suggests little confidence in him as a Director.

His proposal was to raise it "upon a Fund of perpetual Interest" instead of doing so by a loan for a fixed period. He suggested that £1,000,000 might so be raised at a cost to the state of £65,000 a year in perpetuity; that is to say 6 per cent on the capital plus £5000 for "management"—"so as the Subscribers may be Trustees; and that their Bills of Property should be current". If this were granted, they would be ready "as a Bank to exchange such current Bills the better to give Credit thereto and make the said Bills the better to circulate".[1] The meaning of the words is not perfectly clear; but the intention of setting up a bank of issue is clear enough. That, however, was just what the Committee shied at. They endorsed the novel proposal for raising £1,000,000 on "a perpetual Fund of Interest", but were against "making the Bills of Property current, so as to force them on Payment on any without their consent". It looks as though they thought the proposal was for the issue of legal tender bank notes; and apparently that is what it was.

Paterson had to consult his friends, that powerful group in the background. He thought they might not "insist upon having the Bills made current"; but although in fact they did not insist, he had to report that the Gentlemen would "not further proceed".[2] Why we do not know; but their subsequent action shows that they took warning from this parliamentary suspicion of issue, and proceeded cautiously. There may have been differences of opinion among themselves; but, as business men, no doubt they realized with Janssen that they could hardly hope to carry on without "the Custom of giving Notes" payable to A. B. or bearer, as the goldsmiths' notes now mostly were. Yet neither in the Ways and Means Act of 1694 (5 & 6 William and Mary,

[1] *J.H.C.* x, 621, 631–2. Paterson's earlier plan was discussed in the Privy Council, Queen Mary being present. The Committee reported in favour of Hugh Chamberlen's scheme for issuing inconvertible paper money based on land, but the report was not acted on.

[2] *J.H.C.* x, 632.

c. 20) which eventually authorized the creation of the Bank; nor in the subsequent Charter; nor in the early by-laws is there anything about bills being "made current" or about notes to bearer. Only in clause 28 of the Act, which was annexed to the original draft in a separate schedule, is there any reference to Bank bills or notes. It provides "that all and every Bill or Bills obligatory and of credit under the Seale of the said Corporation" shall be assignable by indorsement. Practice about such assignability was rather fluid at the time. The courts treated bills of exchange drawn to order as assignable, and treated cheques ("drawn notes") as bills of exchange. About promissory notes legal opinion was divided.[1] All that the clause did, on the face of it, was to guarantee favourable treatment to the very formal type of bill to which it refers, a type much used by the Bank in its early years. And the clause looks like an afterthought.

Two other clauses were the result of jealous amendments made in the Commons, one forbidding the Bank to lend to the crown or buy crown lands without parliamentary consent—jealousy of the Whigs; another forbidding it to deal in goods or merchandise —jealousy of the traders. The amended bill was passed in a thin House and sent to the Lords where, after a sharp debate, eight peers entered a protest against the whole set of banking clauses.[2] But the clauses passed. They were described as "securing certaine Recompenses and Advantages...to such Persons as shall voluntarily advance the sume of Fifteen hundred thousand pounds towards the carrying on the Warr against France". The "Recompenses and Advantages" were the original rights and privileges of the Bank, so far as they referred to £1,200,000 out of the maximum authorized borrowing of £1,500,000. The "perpetual Fund of Interest" promised to the subscribers and chargeable on the ships' tunnage and the liquor duties to be levied under the Act was £100,000 tax free: 8 per cent on the

[1] Until 3 and 4 Anne, c. 8 (1704) grouped promissory notes with bills.

[2] *J.H.L.* XV, 424.

£1,200,000, in place of the 6 of Paterson's original scheme, and £4000—in place of £5000—for "management". Their Majesties might erect the subscribers into a corporation, under the title of the Governor and Company of the Bank of England; but corporate privileges were not to be conferred unless half of the £1,200,000 was subscribed by 1 August. These privileges were to cease when the principal was repaid, after a year's notice given, and not before the year 1706. No one was to subscribe more than £20,000, and a quarter of all subscriptions was to be paid in prompt cash. If the Bank as a corporation ever owed more than the equivalent of its capital (£1,200,000), "except upon Parliament Funds", the debt was to "lie against particular members" as if it had been contracted under their own seal.[1]

The Bank, as a result of the amendments made in the Commons, was not to engage in any trade except in bills of exchange, or in bullion of gold or silver, or in that of selling goods *bona fide* pawned with it. As a corporation it could hold land like any other; but it was not to buy crown lands or to lend "money upon Funds not having Loan of Credit".[2] Clause 3 of the Act allowed Members of Parliament to be "concerned in the Corporation"; and several clauses dealt with the difference between the £1,200,000 to be raised for the Bank and the maximum sum of £1,500,000 that might be lent to government on the security of the new duties. This £300,000 was to be raised by annuities for one, two or three lives; and if the Bank project realized less than £1,200,000, "what is short may be raised upon lives". It was characteristic of Montagu and his advisers to provide themselves with a second string.

The Charter, a stately document sealed on 27 July, "was in fact little more than a piece of legal form",[3] for all essentials were in

[1] This limited the authorized issue of sealed bills to the £1,200,000. It also gave the proprietors a limited liability.

[2] That is, it was not to lend except against funds arising from some public source prescribed by Parliament.

[3] Anderson, II, 604.

the Act. It prescribed Oaths of Office—a Quaker might "solemnly promise and declare", instead of swearing—regulated procedure at elections, methods of transferring stock, and so on. The only financial clause is one which directs that "no Dividend shall at any Time be made...save out of the Interest, Profit, or Fund, or by such Dealing, Buying or Selling, as is allowed by the Act of Parliament". This conception of a dividend, obvious to the modern mind, had only become prevalent within the memory of men still in middle age in 1694. Joint-stock business had been in an experimental stage. Dividends of early ventures and companies with a joint-stock had often been sharings out of both the capital put in and the profit earned. In the practice of the East India Company the dividend from profits only had not become regular until 1661. For the Bank it was inevitable, since all its capital was to be lent to government. The other kind of dividend would only become possible if government were to repay or the Bank become flush of new capital.

The whole £1,200,000 (25 per cent paid up) was subscribed within twelve days, "less time than could have been imagined", as an otherwise critical pamphleteer wrote a year later.[1] The books were opened in "Mercers' Chappell" on 21 June. On 3 July, Luttrell the diarist was writing that the subscription was "compleated yesterday at noon".[2] No doubt some investors were patriotic, and in those boom days very many were sanguine. Water companies, most of them quite sound; treasure seeking companies, highly speculative; paper, linen, lead, copper, plate glass, bottle glass and mining companies; The Society for improving Native Manufacture so as to keep out the Wet, and The Company for the Sucking-Worm Engines of Mr John Loftingh, merchant, at Bow Church Yard, Cheapside—a sucking-worm engine was a fire hose—had all been projected and supported less

[1] *Angliae Tutamen* (1695), p. 5. The £300,000, "cash for ¼ of £1,200,000 subscribed", is the first item in *Cash Book A*, under 27 July.

[2] Luttrell, Narcissus, *A Brief Historical Relation of State Affairs*, III, 323.

or more.[1] Among these, the Bank with its parliamentary backing, its high sounding name, and its guaranteed income from the taxes was a very attractive proposition. The speed of the subscription need not surprise those more familiar than any pamphleteer of 1695 could be with how and why men invest.

Much more remarkable than the speed of the subscription was the speed with which the full sum promised was transferred to the Exchequer. "Yesterday", Luttrell noted on 2 August, "the new bank paid into the Exchequer £112,000, which they did by their bank bills, sealed with the seal of their corporation, being the Britannia sitting on a bank of money".[2] In return the Bank took government's promise to pay in the form of interest bearing tallies. From 22 August, Treasury orders for the spending of the money begin.[3] By 15 December the Governor is telling a General Court of the proprietors that only £44,335. 18*s*. 9*d*. remains to be paid and that this will go in shortly.[4] It did. The promise to complete the transaction by 1 January 1695 was more than kept. Besides its guaranteed half-yearly £50,000 the Bank had earned £6876. 15*s*. 4*d*. "for advancing £1,200,000...before it became payable".[5] This had been done while its capital, nominally of like amount, was still only 60 per cent paid up; and even some of this £720,000 existed in the form of subscribers bonds which, rather sanguinely, were "reckoned as cash".[6]

Although a formal resolution "that the Bank will receive such deposits of money as any persons shall be willing to make" appears in the Court Book only in April 1695,[7] as if it were a novelty, every effort had been made to attract depositors from

[1] For all these see Scott, *Joint Stock Companies*, especially II, 481.

[2] Luttrell, III, 351.

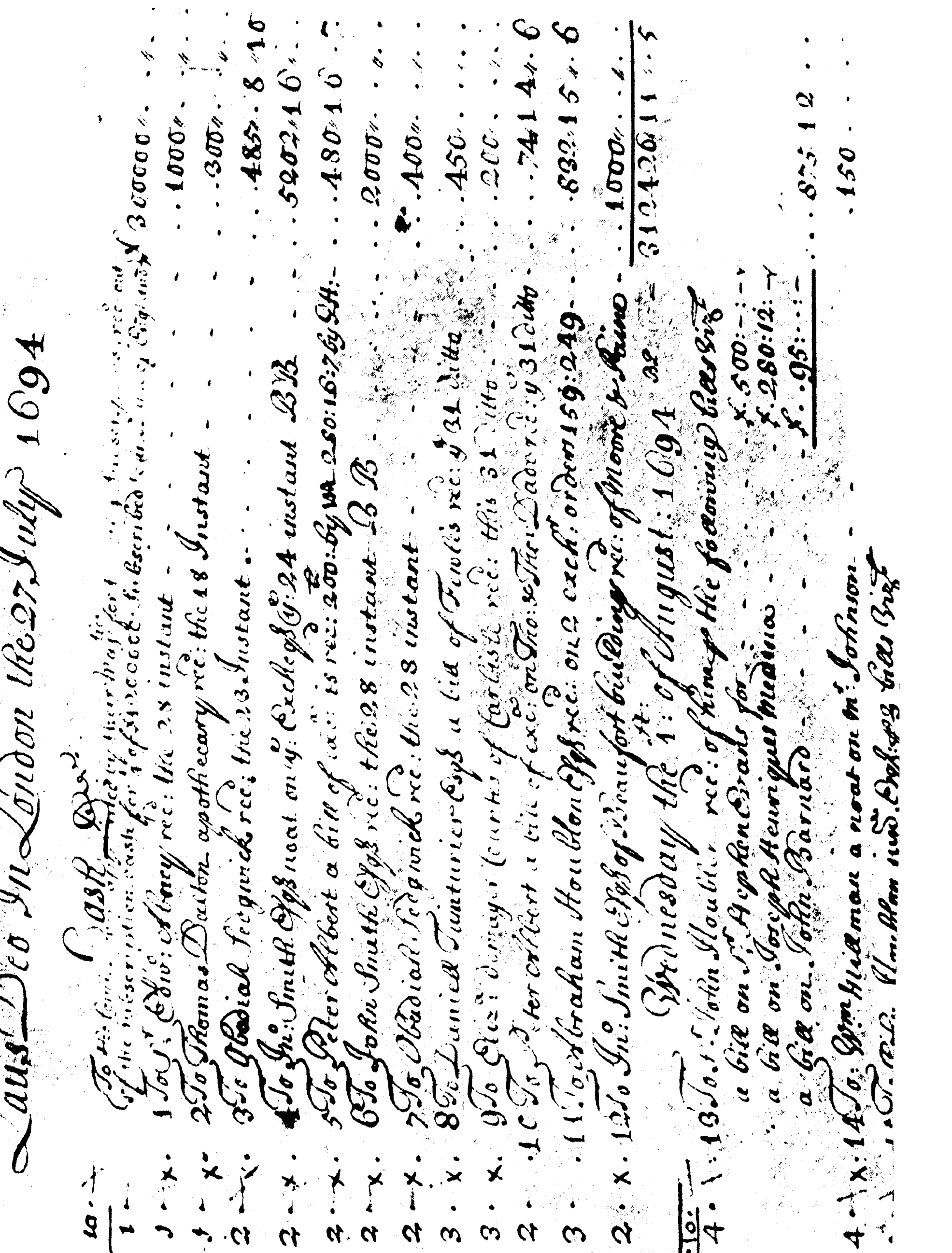
[3] *Cal. Treas. Books*, x, 745.

[4] *G.C.B. I*, 15 Dec.

[5] *G.L. I*, f. 40.

[6] In the Bank's first return to Parliament, £101,755 was returned as due but unpaid: "as bonds had been given, it was "reckoned as cash": *J.H.C.* XI, 622. The second 25 per cent had been called for 25 Sept. 1694; 10 per cent more for 27 Nov.: there were some defaulters. See note to App. F.

[7] *C.B. B*, 4 April 1695.



The FIRST PAGE of the FIRST CASH BOOK

the first. In September 1694 the Governor was explaining to the General Court that the directors kept their running cash with the Bank. Would not all proprietors do the same?[1] Evidently as yet they did not. After discussion at their first meetings, the Directors had put forward three "methods in keeping running Cash"; by "Notes payable to Bearer, to be endorsed", by "Books or Sheets of Paper, wherein their Account to be entered", or by "Notes to persons to be accomptable".[2] The third method is a kind of deposit receipt, as is shown by an August decision that only "accomptable notes" be given for foreign or inland bills of exchange until "the mony be actually received".[3] The second method anticipated the modern pass-book: it blended with the third under a rule by which people who drew notes (cheques) should have receipts for their deposits "and ye particulars of the Bills drawn are to be entered on ye side".[4] It is the first method which produced those bearer notes "without which the Bank could hardly have carried on business"; and the third from which the cheque developed, for the holder of an "accomptable note" could create "drawn notes" against it, for himself or others.

The bearer notes took two forms—a promise to pay A. B. or bearer the whole amount of a deposit, or some irregular sum; and a promise to pay a round sum, against a larger deposit, in connection with the discount business, or possibly as a loan. The oldest note but one surviving at the Bank is for £200. The first type of note might be cashed in part only and something left owing upon it. Such notes for irregular sums and odd balances survived for many years. In 1707, of 107 old notes outstanding, nineteen were for odd amounts; and of 198 notes lost or burnt

[1] *G.C.B. I*, 28 Sept. 1694.

[2] *C.B. A*, 31 July summarising 27 July 1694.

[3] *C.B. A*, 10 Aug. 1694. The earliest surviving "accomptable note", of 6 June 1697, is a receipt for £47. 9*s*. 0*d*. "current mony...for which I promise to be accomptable". This is also the earliest surviving note of any kind.

[4] From the minute of 31 July in *C.B. A*.

in 1773 there were still two of this sort.[1] But the note to A. B. or bearer for a round sum, a multiple of £5 or £10, usually of £10, very soon prevailed because of its obvious convenience in circulation. As early as 31 July 1694, the decision was taken "that the Running Cash Notes be printed"[2]—with blanks for names, amounts, and cashier's signature.

The sealed bill, a more formal instrument, not made out to bearer, was created by vote of Court. In early days it was used very freely; for the first payments to the Exchequer exclusively. But at the second of these—late in August 1694—the possibility of paying in running cash notes is discussed. It is not adopted.[3] In connection with the final payments, however, it is authorized; and the ultimate balance of £44,335. 18*s*. 9*d*. is paid in nothing else.[4] The circulating note functions.

This free use of true notes was seized on by the Bank's critics. The Bank, a broadsheet writer grumbled in 1696, "was limited by Act of Parliament not to give out Bills under the Common Seal for above £1,200,000; and if they did every Proprietor was to be obliged...to make it good, so that they give out Bank Bills with interest for but £1,200,000. But they give the Cashier's notes [observe the term he uses] for all sums (*ad infinitum*) which neither charge the Fund nor the Proprietors, which seems to be a Credit beyond the intention of the Act...and never practised before by any Corporation, and almost a Fraud on the Subject."[5]

Early sealed bills, made out to "A. B. or his Assignes" bore interest at 2*d*. per £100 per day. During the twenty-two years that such bills were in regular use (1694–1716) they usually bore interest at 2*d*. or 3*d*., though from 1698 some non-interest-bearing

[1] *Clearing Note Book*, 1 (1697–1709), Jan. 1707 and *C.B. S*: entries of notes lost or burnt.

[2] *C.B. A*, 31 July 1694.

[3] *C.B. A*, 23 Aug. 1694.

[4] *C.B. A*, 19 Dec. 1694.

[5] A broadsheet issued in connection with the recoinage of 1695–6, headed *The Mint and Exchequer united*, in the Bank's collection.

bills were sealed. In the beginning there were sealings in large blocks every few weeks, both for the Exchequer and "for the use of the Bank", "to be delivered out here at home", or for use "if need be...at home", as various votes put it.[1] The government accepted them as cash and paid them out to its creditors. But they did not circulate much. Recipients might cash them at the Bank, or leave them as deposits on which they could draw or against which they could take running cash notes. The ordinary clients of the Bank apparently took the bills as a convenient medium for payments to the Treasury or other large creditors of theirs, or for cross-country remittance—a use in which they tended to replace the inland bill of exchange. Presumably they were sometimes held as a short term investment. They were so useful to the Bank that in April 1695 the Governor was negotiating for a clause in the Ways and Means bill of that year "for a further power of issuing bank bills",[2] beyond the £1,200,000 that is. He did not get it, and the Bank carried out a policy formulated in the previous November.[3] Sealed bills were to begin again at No. 1 so soon as the first series had reached £1,200,000. As power to exceed the £1,200,000 had not been secured, bills of the second series could only go into circulation to the extent to which those of the first were no longer outstanding. The vote suggests that by November some of the first series were returning to the Bank as deposits.[4]

[1] Votes from Oct. 1694 to Jan. 1695 in *C.B. A*. Cp. Richards, *The First Fifty Years*, p. 223. For non-interest-bearing bills, *Cal. Treas. Books*, XIV, 161, where the Treasury agrees to accept them. Interest-bearing bills were issued now and then, in difficult years, after 1716.

[2] *Cal. Treas. Books*, X, 1366.

[3] *C.B. A*, 11 Nov. 1694.

[4] It was in 1695, from 31 June to 14 Aug., that the Bank experimented with a "lettered note indented on marbled paper". The issue was small and was soon suspended, ostensibly because a forged note was discovered. It has been thought that it was a device for evading the limit on the issue of sealed bills. The episode is dealt with in Richards, *The First Fifty Years*, pp. 225–6. It is a curiosity with no permanent importance.

The first statement of profit and loss, made out for 30 July 1694[1]–14 March 1695 illustrates the relative importance of various sides of the business in these earliest months. Receipts are dominated by the first half-yearly £50,000 from government and the £6876. 15*s.* 4*d.* received for prompt payment of the original £1,200,000. The profit from discounting bills is trifling—less than £1100. Discounting of tallies and orders was more profitable: it had brought in £3369. 6*s.* 2*d.* But the largest item after the £50,000 is that of interest on loans, £15,807. 10*s.* 3*d.* This came partly from commercial loans; partly from loans to officials, such as the Paymaster-General of the Army, who managed what to-day would be government accounts in their own names;[2] and partly from further advances to the Treasury. The full £1,200,000 had hardly been all paid when—early in February 1695—the Bank was agreeing to lend £300,000 more on the security of the Customs.[3]

Payments are dominated by the rather excessive dividend of 6 per cent (£72,000) for the first half-year. Interest on the sealed bills came to less than £3000. Not many of them had run for more than a few months, and on the greater part claims for interest cannot yet have been made. A small but interesting entry is that of £165. 2*s.* 11*d.* interest on running notes. There are early votes of Court for the issue of running cash notes with interest. The practice soon fell into abeyance, and this entry shows that it was unimportant even in these most experimental days.[4]

Chartered by the government as a money-raising machine, and acting as a drawer of purchasing power out of that "fund of credit" to which contemporaries assigned almost magical attributes, the Bank was continuously pressed for more money or money on better terms by the Lords of the Treasury and even by

[1] *G.L. I*, ff. 40 sqq.

[2] The Paymaster-General, Lord Ranelagh, appears as a borrower very early; *C.B. A*, *passim*.

[3] *Cal. Treas. Books*, x, 921.

[4] See p. 144 below.

the King in person. When "the gentlemen of the Bank" were told on 12 April 1695 that His Majesty was dissatisfied with the answer which they gave on Tuesday to some request for assistance, the King evidently was not present. But on 17 April he was: he thought the terms which Houblon and his colleagues were then demanding for advances on the Customs too hard, and said that "My Lords must endeavour to make this good by borrowing of others".[1] The Bank, having lent more than all its paid-up capital to government, had acquired working capital by note issue; in April 1695 it had just declared its handsome, if speculative, first dividend of 6 per cent for the half-year, and there is nothing surprising in the King's view that it ought to be able to oblige on easy terms.

The reference to "borrowing of others" is a reminder that the government of England was only just beginning to emerge from the hand-to-mouth finance of the late Stuart period, and that the Bank was only one among many money-raising devices. The very Act that created it contained, as has been seen, another device—annuities on lives. Before it was created, in 1693, the "Million Loan" had been put out. In theory it was a tontine; but the tontine arrangement proper did not prove attractive. More than three-quarters of the money was raised by selling annuities on single lives on a 14 per cent basis.[2] Lives were much shorter than they are to-day, when only a man over sixty-five would secure an annuity on such terms; but even so it was generous. The Million Loan was followed by the Million Adventure, a Lottery Loan with 100,000 tickets of £10 each. Every ticket was to yield 10 per cent for sixteen years, and the 2500 "Fortunate Tickets" were to yield more, some of them vastly more. This is again a bad arrangement actuarially. Hand to mouth finance is illustrated by the way in which the final instalment of the Bank's first £100,000 a

[1] *Cal. Treas. Books*, x, 1365, 1367.

[2] In the tontine proper the return grows with the duration of the lives, the longest lived subscriber getting the maximum: it is a gamble on long life.

year was paid, on 2 July 1695: it was a sum of £51,246. 7*s*. 1½*d*. and was "to be satisfied out of loans to be made by John Gee on credit of the Post Office revenue".[1] Interest on a loan comes from another loan.

To Dutch William one of the chief uses of his new bank was to facilitate the remittance of money to Flanders and elsewhere for the wars against Louis XIV. This began early and was conducted between May 1695 and the Peace of 1697 through a formal organization, a "settlement at Antwerp of some persons on behalf of the Bank", a thing which "His Majesty favours and desires" as the General Court was told on 17 May.[2] The arrangement took shape in the gossip of Luttrell's diary as "a bank at Antwerp, where they will coin money to pay our army in Flanders";[3] but that it never was. Since October 1694 a Committee of Directors "for the remises" (remittances) had been at work; and after the May vote of Court small groups were resident at Antwerp in rotation to superintend the business.[4] It was on one of these visits, in July 1695, that Michael Godfrey was killed by a cannon ball in the trenches before Namur, where he was present as a sightseer to King William's frigid annoyance. Wits coined the phrase "to be Godfreyed" for such accidents, and the Bank lost what was probably its best head.

This business of "the remises" was troublesome, risky and far from profitable. Constant pressure was put on the Bank to meet urgent calls for the Army. Such pressure it was hard either to resist or to yield under, especially during the anxious months when the English silver money was being recoined in 1696.

The whole of one gigantic ledger is filled with the summarized records of these "remises", from October 1694 to June 1700,

[1] *Cal. Treas. Books*, x, 1136. [2] *G.C.B. I*, 17 May 1695.

[3] Luttrell, III, 473.

[4] Usually three; but at the end apparently only one, James Bateman, who is instructed on 5 Jan. 1697 to wind up accounts: *C.B. B*, 5 Jan. 1697. There is a full account of the Committee in Acres, *The Bank of England from Within*, I, 52 sqq.; a shorter account in Richards, *The First Fifty Years*, pp. 233–4.

when the last of the business arising out of them was cleared up—not long before war broke out again.[1] From this ledger a good deal can be learnt about the high Anglo-Dutch commercial and financial world towards the end of the seventeenth century. The Bank had to make use of a very large number of strong firms whose bills or whose help it required. Among the most valuable to it were those with well-established connections both in England and the Low Countries, or those hovering between the two, like Manuel Henriquez "late of Amsterdam", Tierens and Cruger "late of London", or the London firm that does not sound very English of Signoret, Baudouin and Santini: this last has a very long account. On the other side of the water, much the most important correspondents of the Bank were de Coninck of Antwerp, who had begun to act as its agent in October 1694, when the work was new, and the great Dutch firm with an English name of George Clifford at Amsterdam[2]. About a dozen other Amsterdam firms appear in the ledger, including an English one that retained its nationality, Chitty and Peacock. Many of the London firms besides Signorets and Henriquez had foreign names—Huguenot, Dutch, occasionally Jewish. Or there might be a foreign-named and an English-named partner, Papillon and Mayne, Houblon and Harris. There were, however, plenty of pure English names on the London list—Bellamys, Fishers, Powers, Townsends, Starkies, and Jas. Oades scrivener[3]—but they did much less of the Bank's Low Country business than the great Dutch and international houses.

For long-distance business however, remittances for the fleets or for the campaign in Savoy, English firms domiciled abroad were employed almost exclusively. Early in 1695, before work on "the remises" was in full motion, correspondents were

[1] *G.L. II.*

[2] The Cliffords came from Lincolnshire: Wilson, C. H., *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (1941), p. 67.

[3] A scrivener in international business is unusual. Houblons and Papillons were not recent arrivals.

selected in eight commercial centres ranging from Hamburg to Venice.[1] The Directors recorded a preference for English firms and proceeded to appoint no one who was not English by blood or by adoption—like the Houblons, one of whom was correspondent at Oporto. Many war-time "remises" were made through the powerful Cadiz firm of Hodges and Haynes, the firm whose chief, William Hodges, had been very helpful to Mr Pepys on his Tangier trip in 1684. He became an M.P. and a knight. Use was also made of an English firm in a place where it is rather surprising to find one well established at this time—Ballard and Stone of Madrid. Others of the eight original correspondents who were employed in the war remittance business were, besides Houblons of Oporto, Stratfords of Hamburg and Thomas William of Venice.[2]

The handling of foreign exchange, a business in which it was not yet thoroughly expert, gave the young Bank constant anxiety. In October 1694, the Committee of Remises was authorized to buy bullion,[3] but of that there was not then a great deal in the market; so the remittances were made almost entirely by bills and drafts on the Bank's various correspondents abroad. In 1695, owing to heavy demands for the war and the bad state of the currency, the Amsterdam discount on English drafts varied between 13·7 and 25·5 per cent.[4] In September of that year the Bank had such difficulty in finding money for Flanders through its commercial connections that it was forced to ask help from the Estates of Holland, who advanced £300,000 in two distinct loans on stiff terms.[5] In the summer of 1696 some of its bills were

[1] *C.B. A*, 20 Feb. and 9 March 1695, and *G.L. II*, *passim*.

[2] The eight also included Watts and Co., Alicant; Western, Burdett and Co., Leghorn; and Henry Mulineux, Amsterdam: *C.B. A*, 2 Feb. 1695.

[3] *C.B. A*, 10 Oct. 1694.

[4] Rogers, J. E. T. R., *The first nine years of the Bank of England*, p. 40.

[5] A short loan of £100,000 and a long one of £200,000. For the latter £250,000 of tallies were deposited with the Dutch ambassador; *C.B. B*, 12 Sept. 1695, and see Wilson, *op. cit.* p. 94.

protested at Amsterdam and it had to pay 10 per cent for two months to Dutchmen who agreed to take them up.[1] Its debt to the Estates was not cleared off until 1698; and its final receipt for the £250,000 of tallies which had been deposited with the Dutch ambassador in London as security was not signed until 11 January 1699.[2]

A pamphleteer of 1695 had stated, rather sanguinely, that the Bank had "almost crush'd several sorts of Blood-suckers, mere Vermin, Usurers and Gripers, Goldsmiths, Tally-Jobbers, Exchequer Brokers, and Knavish Money-Scriveners, and Pawn-Brokers, with their Twenty and Thirty per cent".[3] No doubt it had at least competed for business with all these people; and it is quite natural to find that, although there were thirteen drapers and eleven grocers among its first five hundred subscribers, there were only six goldsmiths.[4] That there were even so many might perhaps seem surprising if it were not borne in mind that only some goldsmiths "kept running cashes". Macaulay's saying that "all the goldsmiths and pawnbrokers set up a howl of rage" against the Bank is not borne out by a written or certainly recorded howl from any member of either trade. As for the "crushing" of the goldsmith-bankers, so far as we know there were more of them in 1700 than there had been in 1687; and although not half of the firms of 1687 seem still to have been carrying on business in 1700, there is no need to connect this with competition from the Bank.[5] Men went easily into and out of banking in the early days. Besides, the boom of the nineties had been damaging to businesses of all sorts.

A good deal of legend grew up about goldsmiths' hostility to the Bank and goldsmiths' attempts to embarrass it. One of the best known legends is connected with a man who, though still

[1] *Cal. Treas. Books*, XI, 37, 10 July 1696. The Bank explains its difficulties.

[2] *C.B. C*, 11 Jan. 1699.

[3] *Angliae Tutamen*, p. 6.

[4] From *The Book of the Subscriptions*. Cp. pp. 276–7 below.

[5] See the lists in Hilton Price, *A Handbook of London Bankers*.

a financier, had apparently ceased to be a goldsmith-banker some years before 1694. That this man, Charles Duncombe, should have opposed the Bank was natural enough. He had been apprenticed to the great Alderman Backwell and probably carried some of Backwell's business to the Grasshopper in Lombard Street, where he "kept running cashes" in 1687; but he appears to have left the Grasshopper in 1688.[1] He had been receiver of customs under Charles and James; he was a Tory; later he became Lord Mayor; and he died in 1711 the richest commoner in England. Luttrell's tale that in August 1695 he sold "all his effects in the Bank of England, being £80,000", and so struck at Bank credit and the price of Bank stock, is not supported by the stock books, in which his name does not occur. Conceivably he held some stock in another name. If he did sell, so did many others that year.[2] There is no need to connect a Duncombe sale, supposing that there was one, with any general hostility among the goldsmiths.

One suggestion of mutual hostility, or at least distrust, is revealed by the Bank's drawing ledgers. Many goldsmiths had found it convenient to open accounts at the start. How many is not quite clear. There is a long list of familiar goldsmith-banker names in the ledgers, but the accounts may have been strictly personal, not business accounts of firms. However that may be, most of them were only used on and off: they seem to represent credits for bank notes which had come into goldsmiths' hands, and withdrawals made as required. A considerable group of these accounts was closed at the end of May 1695, and the balance on notes still in circulation, or not at that time cashed in their entirety, was carried to a general account entitled "Ballance

[1] There is no evidence of what attitude the Grasshopper as a firm took up towards the Bank: Martin, J. B., *The Grasshopper in Lombard Street* (1892), p. 130.

[2] Luttrell, III, 512–13. Acres (I, 60) points out that Duncombe held no stock, at least in his own name. For Duncombe see the *D.N.B.* and Hilton Price.

Notes".[1] The particular accounts were so dead that they were not worth separate entry. The deadness and closing of these accounts preceded by nearly a year that run on the Bank which occurred on 6 May 1696, when John Houblon, the Governor, was obliged to sweeten a suspension of full cash payment by promising a prompt part payment in coin and the balance as soon as coin could be got from the mint, then engaged on its delayed and mismanaged recoinage.[2] That led to a discount on the notes which was occasionally so high as 20 per cent, and a temporary discredit of them which would not be unwelcome to many goldsmiths, and for which they may have been in part responsible.

But several of the greater goldsmiths either did not use their accounts on and off or did not close them in May 1695. Sir John Sweetaple opened in August 1694 an account which showed a much greater turnover than those of most of his fellows. Freame and Gould, the firm which became Freame and Barclay and is now Barclays Bank, opened an account in March 1695 which became fairly large. It ran till January 1709; was reòpened in 1716; and as that of Freame and Barclay became a very large account indeed from 1738. Richard Hoare also opened in March 1695 an account which was reasonably active, though rather of the on and off soft; and Henry Hankey, of the Ring and Ball, Fenchurch Street, opened a not very active account in the following month. Sweetaple went bankrupt in 1701 and his odd name, once great, is forgotten; but Barclay and Hankey and Hoare were names that remained honourable through two centuries of English banking.[3]

It was natural that the Bank should treat the goldsmiths and

[1] I am greatly indebted to the officials of the Bank of England Record Office, Roehampton, for work done for me in the Drawing Ledgers on which this paragraph is based.

[2] See p. 35 below.

[3] Based on work in the Drawing Ledgers in the Bank of England Record Office, as above.

their notes with some suspicion at the start: there were all kinds of goldsmiths and the credit of their notes was correspondingly various. But the manifestations of suspicion were quite marked enough to nourish a good deal of goldsmiths' hostility. A very early vote of Court—7 August 1694[1]—ordered all subscribers who paid their second instalment of capital in bankers' notes to endorse them payable to the Governor and Company of the Bank of England, so accepting liability for them. The tellers were instructed to give receipts for the actual notes, "but not to give any Receipt upon the Note, as if it were mony". And "the mony" was to be demanded "forthwith upon Receipt of the Bills", those who collected it being told to do so at each particular goldsmith's shop, "and not to be sent about to other places". Distrust and caution could not go much further. Yet in the following January occurs an almost more distrustful vote: "that soe soone as Goldsmiths' Notes be brought in who cancell Bank bills the money be sent for presently [i.e. at once] and if the Goldsmith refuse, or delay to pay them, that the party who gave the Note be sent to, and informed thereof, and the money demanded of him".[2] The Bank is trying to make the goldsmith's note, when offered to it, into a mere specie certificate. At the same time it is taking Counsel's advice about the best ways "to secure the Bank in receiving Goldsmiths' Notes".[3]

Counsel may have given satisfactory advice on the legal position. At any rate, as the months went by, more and more goldsmiths' notes were paid in, and they appear to have been received with less suspicion. On 6 May 1696—the day of the run and partial suspension of cash payments—three Bank officials are being ordered to meet daily at 4 p.m. "to settle the accounts with the Goldsmiths"[4]—a sort of emergency clearing committee. By the end of the year, when Parliament received the first official statement of the Bank's position, £9636. 14*s*. 1*d*. of goldsmiths'

[1] *C.B. A*, 7 Aug. 1694.
[2] *C.B. A*, 12 Jan. 1695.
[3] *C.B. A*, 23 Jan. 1695.
[4] *C.B. B*, 6 May 1696.

notes were reported as in hand on 10 November, in spite of the mutual distrust of the goldsmiths and the Bank.[1] Either these notes had not been turned into "mony" so promptly as the earliest votes required, or the number handled was so great that more than £9000 remained uncashed at any given moment. Goldsmiths' drawing accounts show that with some of them at least relations of confidence were being established, or re-established.

Before it made this first public statement the Bank had not only straightened out its relations with the goldsmiths somewhat but had been relieved of the fear that a rival might come into the field with full parliamentary backing. The backing was given but the horse backed never ran. The Commons had resolved on 5 March 1696 that an urgently needed loan should "be settled in the National Land Bank", and the resulting Act (7 & 8 William and Mary, c. 31) resembled closely that which established the Bank of England. Two existing projectors' land banks—Asgill and Barbon's, and Briscoe's—both of which Luttrell had supposed to be going on "very successfully"[2] in August 1695, had amalgamated in January-February 1696, and the united projectors had caught the ear of the House, where country gentlemen were very susceptible to schemes that promised to extract somehow from the land which they held the ready money that they most often lacked.

The notion of land as a basis for credit, a notion which at the end of the seventeenth century appealed to many people who were not landowners, was far less fantastic than it has sometimes been represented. It has, however, "been left to modern times, after a slow development of two centuries, to make the idea of a Land Bank practicable by the device of long-dated paper [bonds] issued against the security of land". But the organization of modern money markets is required "to make such paper a liquid or

[1] From the Commons' report on the statement: *J.H.C.* XI, 622.
[2] Luttrell, III, 512.

liquefiable asset".[1] In 1696 that organization did not exist. What the Land Bank projectors wanted was ready money for the state and the gentlemen, not long-term loans on the security of land such as modern mortgage banks offer. The scheme of 1696 was not calculated to supply ready money. The Treasury officials were against it. The Bank of course was against it: its Directors' Court Book and the General Court Book for 1696 are full of references to the Land Bank bill and how it is to be fought. The Whigs were against it, on party if on no other grounds, because it had been taken up almost fanatically by the Tories. And the City—including that section which was not committed to the side of the Bank of England—evidently saw no profit in it. When the books were opened in Exeter 'Change at the end of May, no long list of subscribers was entered as in the Bank's *Book of the Subscriptions*. When next month they were closed, or it might be better to say hidden away, what the subscription had amounted to was not at once reported. Eventually the Chancellor of the Exchequer gave the figure—£7100. As it was only 25 per cent paid up, the cash came to £1775. And of that, £1250 was fictitious, being the reputedly paid-up share of the King's subscription of £5000 towards meeting his own expenses.[2]

The monetary and financial situation while the books of the Land Bank remained so very empty was awkward and dangerous. War continued, and with it the demands of the fighting services. The "remises" to Flanders gave the Bank continuous trouble. It had certainly over-issued its various kinds of notes. Of any regular cash backing for these notes there was neither theory nor practice. The government was carrying out its very necessary but not well managed, or even quite honestly managed, recoinage of the silver money. On this the Bank had not been consulted in its corporate capacity; but Houblon, the Governor, and Gilbert Heathcote had. Houblon pressed for recoinage because he be-

[1] From Dr W. A. Shaw's Introduction to *Cal. Treas. Books*, XI, xlvii.

[2] Scott, III, 252. Fortune, T., *A Concise...History of the Bank of England* (1797), p. 3, makes this failure into an episode in the history of the Bank!

lieved that bad silver money was the sole cause of high prices and unfavourable exchanges. Heathcote wished the clipped money to be called in at its face value. Both were against any change in the monetary standard. Heathcote—very shrewdly—suggested a temporary issue of paper to cover the gap in the currency which recoinage would produce.[1] The recoinage was carried out and the standard fineness and weight of the silver money were retained. But Heathcote's other suggestions were not followed up, unless the issue of Exchequer Bills was due in part to his advice. A proclamation of 19 December 1695 had declared that from 1 January 1696 no clipped crowns or half-crowns were to be accepted save in payment of loans or taxes; and that only till 22 February. Shillings were given until 2 March and sixpences until 2 April. From that date clipped money was to have no currency except by weight. This policy, too drastic and too hurried, had to be revised in 1696. Eventually clipped money was accepted for taxes until 4 May and for loans up to 24 June. Guineas, which had been valued very high in terms of the debased silver, were called down by law first to 26*s.* and from 10 April to 22*s.*[2] It was assumed that by that time there would be enough new, full-weight, milled silver money to justify the rate: when the Land Bank projectors asked to be allowed to pay a quarter of the large sum which they never raised in clipped money, they were refused. In fact there was not enough new money available in May for any purpose. The poorer and more ignorant folk, who did not lend to government, were left with clipped money on their hands which the state was no longer willing to take at its

[1] These points, with others, are made in "Proposals about the Coyn", a collection of thirteen MSS by Newton, Christopher Wren, Houblon, Heathcote and others (Goldsmiths' Library, MS. 62). I owe this reference to Mr Ming Hsun Li's unpublished London University thesis on the recoinage (1940).

[2] So long as silver was the effective standard metal the sterling value of the gold had to be adjusted to the actual state and value of the silver. The guinea was designed as a 20*s.* coin: by 1695 it commonly passed for 30*s.*

face value. City men and other well-informed persons could unload into an avid Exchequer; but even they had difficulty in finding the minimum of good new money that they required.[1]

Meanwhile, in spite of monetary troubles, there had been no slackening in "projection". Besides land banks, started or hoped for, the year 1695 had seen an abortive scheme for a "money bank" which was to issue "paper notes of credit", and the actual establishment of two institutions with whose effects the Bank of England subsequently had to deal, the Orphans' Bank and the Million Bank.[2] The former was a by-product, and short-lived at that, of the City Orphans' Fund, itself an ill-managed charity;[3] the latter, which kept alive for a century, was based on the tickets of the "Million Adventure", the Million Lottery Loan of 1694. The tickets, or shares, were accepted as capital by the Million Bank. The company soon gave up banking and became, as has been said, "virtually an investment trust in government stocks".[4]

In this feverish and variable atmosphere, with the Land Bank pending, the Bank of England had to meet that first serious run already referred to—the run of 6 May, two days after clipped money lost currency. People wanted new money and the Mint had not supplied the Bank with enough. The Bank had lost on some of the clipped silver accepted at par value, and on some of the guineas which it had taken when over-valued. Notes, over-issued, could only be cashed in part—the first suspension of cash payment. Interest was offered on them, and cash for the balance promised as soon as it became available; but this did not prevent

[1] For the recoinage the most recent account is in Mr Ming Hsun Li's unpublished thesis already quoted.

[2] Both are shrewdly criticized in the pamphlet *Angliæ Tutamen*. See the accounts of them in Scott, III, 208 and 275 sqq.

[3] The financial relations between the City and the Fund were straightened out in the same year that the Bank was founded, by the Orphans' Act (5 & 6 William and Mary, c. 10) by which the City debt was funded: Reddaway, T. F., *The Rebuilding of London after the Great Fire* (1940), p. 171, n. 1.

[4] Scott, III, 279.

a heavy discount on the notes. Cash remained short for months: the discount touched its maximum, 24 per cent, early in 1697. A week after the run the Directors told the General Court that "not above £400,000 is as yet coyned which is not sufficient for men's comon necessities", and offered to give "good tallies" to those who were "under any uneasiness for want of" their money.[1] With the Bank's credit much shaken, over-issue in London, and a continuous demand for "remises" to the Low Countries, the Amsterdam exchange went to pieces. It was in June that some of the Bank's bills were protested at Amsterdam.[2] On 23 May the Directors were offering 6 per cent to "such as will lend guineas or passable money",[3] and the same day they voted in favour of the policy of borrowing 20 per cent of the amount of capital still uncalled "of the Members of this Corporation", also at 6 per cent. They reported to a General Court on 27 May that they "had some occasion of Borrowing £20 of the Members. But hoping the Coinage will increase They are of opinion They have no occasion for it at present." "The forty per cent", that is to say the £480,000 still uncalled of the original £1,200,000 capital, was under discussion all through the summer. Early in June—on the 10th—the Directors secured a *nemine contradicente* vote from the General Court in favour of the borrowing policy. If it were not adopted, they told the Proprietors, a call would be an "absolute necessity":[4] they said among themselves that borrowing was an expedient "for the preventing the calling in of the 40 per cent".[5]

In connection with this borrowing policy—about the legality of which, incidentally, the Directors were not quite clear—a fresh device for bringing in cash, foreshadowed in the discussions of 10 June, was formally adopted on 23 June, the Specie Note. Anyone who brought in the new milled silver, or guineas, was to get a note promising repayment on demand "in the same

[1] *C.B. B*, 13 May 1696.
[2] See p. 29 above.
[3] *C.B. B*, 23 May 1696.
[4] *G.C.B. I*, 27 May and 10 June 1696.
[5] *C.B. B*, 4 June 1696.

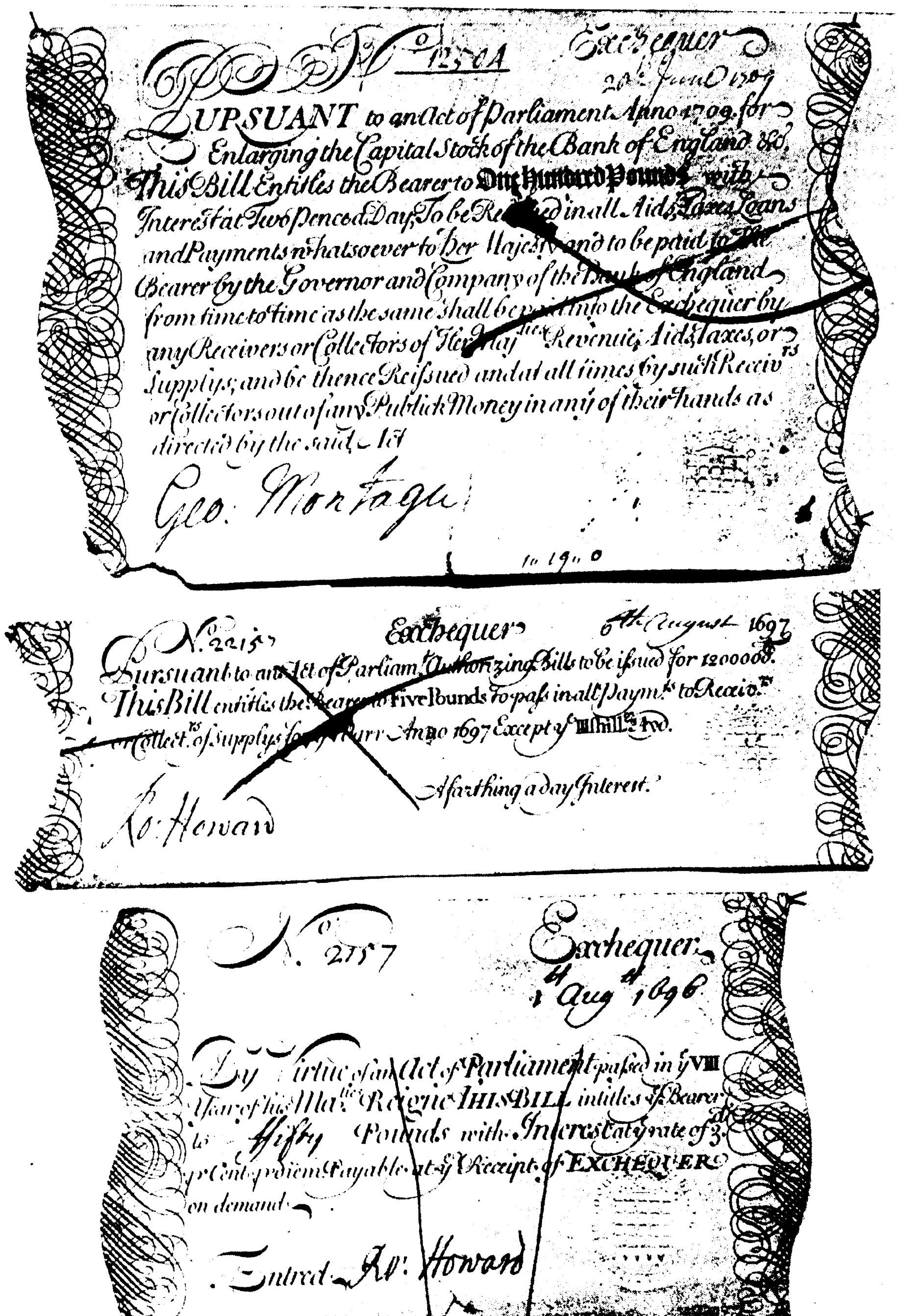
specie". On 1 July, 6 per cent interest was offered on these notes: the depositor was to be sure both of his "same specie" and of this good increment.[1]

And all the time, while the Bank was utilizing every device to secure cash, government was in even greater need of it. Montagu had an expedient of his own to stop the gap created by the failure of the Land Bank scheme. The expedient was the Exchequer Bill. The first issue of these bills, in July, was no concern of the Bank; but in later years it had so much to do with Exchequer Bills that the issue is really part of its own story. Montagu, who had never believed in the Land Bank, had the Exchequer Bill policy in reserve. It had been suggested to him by that "tireless and inveterate projector",[2] Thomas Neale, the Master of the Mint. He had slipped a clause authorizing it into the Land Bank bill, just as in the "Tunnage" bill of 1694 there had been clauses providing for borrowing on annuities in case the Bank of England scheme had failed. Montagu had been in touch with financially strong people well outside the Bank of England circle—Sir Joseph Foley of Exeter and Mr Gates of Bristol in the West; Mr Blofield of Norwich in the East; and in the far North, Sir William Blackett, the coal-trade capitalist of Tyneside.[3] Such men he hoped would take up his new bills and help him to get them into circulation. The object of the issue was both to relieve the shortage in the circulating medium due to the mismanagement of the recoinage and to provide resources for government. Had the Bank not already got its running-cash notes into circulation, and had Montagu and his advisers made the Exchequer Bills a little less formal, it is possible that government paper money rather than bank paper money might have become the regular supplement to silver and gold for the eighteenth century—and so

[1] *C.B. B*, 23 June and 1 July 1696.

[2] W. A. Shaw in *Cal. Treas. Books*, XI, cxl. Possibly Neale got the idea from Heathcote, p. 35 above.

[3] *Cal. Treas. Books*, XI, lxiv.



No. 1250A Exchequer 20th June 1709

PURSUANT to an Act of Parliament Anno 1709 for Enlarging the Capital Stock of the Bank of England &c. This Bill Entitles the Bearer to One Hundred Pounds with Interest at Two Pence a Day, To be Re[ceiv]ed in all Aids Taxes Loans and Payments whatsoever to Her Majesty and to be paid to the Bearer by the Governor and Company of the Bank of England from time to time as the same shall be p[aid] into the Exchequer by any Receivers or Collectors of Her Ma[jes]ties Revenues Aids Taxes or Supplys; and be thence Reissued and at all times by such Receivers or Collectors out of any Publick Money in any of their hands as directed by the said Act

Geo: Montagu

No. 2215 Exchequer 6th August 1697

Pursuant to an Act of Parliam. Authorizing Bills to be issued for 1200000l. This Bill entitles the Bearer to Five Pounds to pass in all Paym.ts to Receiv.rs or Collect.rs of Supplys for [the cu]rr. Anno 1697 Except ye Million Act. A farthing a day Interest.

Ro: Howard

No. 2157 Exchequer 4th Aug. 1696

By Virtue of an Act of Parliament passed in ye VIII Year of his Ma.ties Reigne THIS BILL intitles ye Bearer to Fifty Pounds with Interest at ye rate of 3d. p. Cent p. diem Payable at ye Receipt of EXCHEQUER on demand.

Entred Ro: Howard

EXCHEQUER BILLS: (*a*) the first, simplest, sort; (*b*) the sort available for tax payments; (*c*) the fully developed sort.

for later centuries. There is not much doubt that the bills were thought of as an alternative form of paper money. No one could yet be sure that the Bank and its notes would survive.[1]

The intention is shown by the issue of the Exchequer Bills in £10 and £5 units—less than the average banker's running-cash note. They were to "pass in payment from any person or persons to any other person or persons that shall be willing to accept and take the same".[2] They were to be met from the Exchequer receipts of the coming year. They bore interest and they could not be cashed on demand, passing from hand to hand by endorsement. They were also heavily handicapped during the first year by not being acceptable at the Exchequer in payment of taxes. That was remedied in 1697,[3] but it helped to give the bills a bad start. They did not circulate nearly so readily as the non-interest-bearing and easily transferred running-cash notes. One, for £5, that has survived had seven endorsements during a currency of nearly six years—changing hands only once every 9 or 10 months.[4] In spite of Montagu's soundings in the provinces, out of a first issue of £1,500,000 authorized in 1696, only £167,000 got into even this rather languid circulation. The specific taxes against which they were charged, according to the regular practice of Exchequer borrowing, were not heavily drawn on, nor were Montagu's necessities much relieved.

Besides, what the government—like the Bank—most wanted in the summer of 1696 was not a circulation of notes but cash, hard cash for the Army in Flanders, £200,000 at least. The Governor had told the General Court in July that there was "neare £200,000 come in upon the Loan of 20 per cent"; but

[1] Luttrell says (IV, 45) "tis believed...that the Land Bank will be turned into an Exchequer Bank", a shrewd reading of what may have been in Neale's or Montagu's mind. There is a MS. in the Goldsmiths' Library (No. 65), apparently in Montagu's hand, which clearly regards the bills as alternative paper money.

[2] From the Act 7 & 8 William III, c. 31.

[3] By 8 & 9 William III, c. 20, § 63.

[4] *Cal. Treas. Books*, XI, cliii.

"come in" must certainly be interpreted as "promised", and even the promises were not of hard cash.[1] The government's desperation, almost despair, has been described in a splendid page of Macaulay. The Directors were in such difficulty that they felt bound to refer this demand for £200,000 cash to the General Court. Macaulay leaves the impression that a meeting of the General Court to decide a difficult matter was a rare thing. It became so later, but in 1696 the General Court met twenty-nine times. He also stresses the fact that "more than six hundred persons were entitled to vote", giving the impression of a great public gathering. Actually 127 proprietors signed the attendance book, though "divers others of the Generality" were present.[2] There was a bigger meeting in September and a much bigger one in January 1697.[3] Before the meeting, fixed for 15 August, Houblon and the Directors had promised to do their best. Montagu's relief is shown in a letter written the day before to William Blathwayt, the experienced Secretary-at-War: "the Bank notwithstanding all the hardships and discountenance they have met with are yet resolved to venture all for the Government and I hope what they do in our distress will not be forgotten in theirs if ever they are in a greater."[4]

The General Court voted the £200,000—unanimously Macaulay's diplomatic authority reported, *nem. con.* the Court minutes state. The government was given £50,000 immediately. Houblon had made a carefully prepared and to the modern mind typical chairman's speech to his shareholders, the proprietors of Bank stock.[5] The Bank was "in a very good condition in all respects",

[1] *G.C.B. I*, 29 July 1696. The account of the "Loan of 20 p.c. on Stock" in *G.L. I* shows that not much cash came in before December.

[2] *G.C.B. I*, 15 Aug. 1696.

[3] In September 155 and "divers"; in January 209 "and some others".

[4] *Cal. Treas. Books*, XI, lxxii.

[5] The speech is given in *C.B. B*, 15 Aug. 1696, as a report of the Court to the General Court. Macaulay had seen it or been told of it. In a footnote (to II, 582 of the popular edition) he says: "Among the records of the Bank

though it still suffered from that "want of Specie which at this time is the comon Calamity of the whole nation". The Lords of the Treasury had "also informed the Court of Directors (which is a great truth) that neither the Government nor the trade of England can be carried on without Creditt, and that they knowe if the Creditt of the Bank be not maintained, no other Creditt can be supported". Therefore the Court could rely on their sympathy and help. Indeed the Lords, together with the Lords Justices, had promised to support the market by buying Bank stock. Some "great men" actually bought,[1] but the effect was disappointing. Stock stood at 70 in mid-August, but it only touched bottom, at 60, in October. There were special reasons for this low figure; but it would be natural for members of the General Court to feel that the promised support from the "great men" had not been of much value.

The patriotic vote of 15 August left the cash position very bad; how bad a vote of 21 August indicates. The cashiers were not to pay cash out even to members of the Court of Directors "on any Bill, Note or Book Debt",[2] except on an order of three other Directors: it looks as if the direction itself was not to be trusted. Money from the Specie Notes, or promises for the loan of 20 per cent on stock, were coming in slowly. A proposal was made in September "for circulating Bank Notes in the West of England",[3] no doubt in the hope of attracting cash deposits; but there is no evidence that anything came of it. Before the month was over, the cashiers were being instructed to make no new notes for less than £50, "nor endorse any less Sume on any Note"; that is to say not to allow any holder of a note for a large irregular sum to cash less than £50 of it at one time. The Specie

is a resolution...prescribing the very words which Sir John Houblon was to use": he does not quote them.

[1] A report to the Bank in *S.P.D.* Will. III, 1694 to 1696, No. 231, quoted in Scott, III, 209.

[2] *C.B. B*, 21 Aug. 1696.

[3] *C.B. B*, 3 Sept. 1696.

Notes also were limited to £50, and interest on running-cash notes, offered in May, was suspended.[1] All this with a view to avoiding petty drains and maintaining a reserve to meet, in particular, the Specie Notes themselves. The policy was pushed further in October and November. "All notes of £5 and under" were "to be paid off in full alphabetically".[2] Presumably most of these were balances of larger notes for irregular amounts. People were invited to exchange running-cash notes for sealed bills, which as they bore interest were likely to remain longer out. A sum of £50,000 due from government was to be "laid up in the vault"—only to be released by vote; an early recognition of the need for a specially protected reserve of treasure. The Committee for the Remises was authorized to import £40,000 cash.[3] There was a proposal two months later to pay off all notes up to £10; but for the moment that was negatived.[4]

Meanwhile the final decision on the question of loan or call had been reached. On 29 September the Directors voted that "20 of the 40 per cent be called in".[5] It was as this policy became known that Bank stock, with its new liability, fell again in October. The General Court had been kept waiting and several times adjourned while the Directors were making up their minds. Finally, on 7 October, 127 proprietors, with "divers" others as usual, "considering" the call policy "reasonable" adopted it and fixed the last date of payment for 10 November.[6] There is every reason to suppose that the money coming in from those proprietors who had promised to lend was credited to them as a part, or the whole, of their call. That would be natural, but there is no vote about it. Some £200,000 had been promised as loans; and

[1] *C.B. B*, 23, 29 Sept. 1696.

[2] *C.B. B*, 21 Oct. 1696.

[3] Votes of 4 Nov., 30 Oct. and 11 Nov. in *C.B. B*. An account of "The Treasury or Vault" with payments in and out, only begins on 21 April, 1699, with the entry "To cash resting there, £391,108. 16. 9": *G.L. II*, f. 115.

[4] *C.B. B*, 13 Jan. 1697. It was voted however on 27 March.

[5] *C.B. B*, 29 Sept. 1696.

[6] *G.C.B. I*, 7 Oct. 1696.

of the £240,000 of the call only £17,760 was unpaid by June 1697.[1]

It was on 10 November also that the Directors gave instructions for the drawing up of that statement of the position of the Bank from which the public, and after them historians, got their first but not perfectly clear insight into its affairs in these earliest days. The statement shows that, judged by modern standards, the existence of the £480,000 of uncalled capital, of which a half was in process of payment, was the only really strong point in the position. Most of the items on the credit side were very far indeed from being liquid. There was a mass of long-term tallies and orders, representing the government's promise to pay—one day—the original loan of £1,200,000. There were something like £585,000 of short-dated tallies and orders, payable within the year and so reasonably liquid. The remaining £50,000 of the £100,000 due from government annually was entered, but significantly as not yet paid. And there was an omnibus credit entry of £266,610. 17*s.* 0*d.* representing "mortgages, pawns, other securities, and cash". This last item was not very liquid when examined in detail. It included £35,664. 1*s.* 10*d.* of cash and £9636. 14*s.* 1*d.* of goldsmiths' notes; £42,160. 0*s.* 8*d.* of private loans, mortgages, and so on; £30,176. 1*s.* 9*d.* due from Holland; some other smaller sums due, including bills discounted but not yet collected; and £101,755 "unpaid on account of the Stock of £1,200,000 for which Bonds are given and may be called in; therefore reckoned as Cash".

On the debit side of the account, the £720,000 of stock reckoned as paid up before the recent call was not given as a liability, as it would be in a modern balance sheet. It appears nowhere. Subscriptions, paid and even unpaid, were "reckoned as cash",[2] and running-cash or other notes issued against them, while at the same time sealed bills to the amount of £1,200,000 were being issued

[1] *G.L. I*, f. 267: "Stock and Subscription Cash"

[2] As in *Cash Book A*; see p. 19, n. 1 above.

to government or public. In the statement we find as a liability £764,196. 10*s*. 6*d*. of notes, of which £695,527. 4*s*. 5*d*. represent what was to become the ordinary Bank note, the running-cash note without interest, and £68,669. 6*s*. 1*d*. the "notes called Specie Notes", about a third of which, being for sums less than £20, bore no interest, and two-thirds were interest-bearing. Besides these notes there were no less than £893,800 of sealed bills still outstanding—and there were debts of £300,000 due in Holland.[1] Including a sum of £17,876 of interest due on bills and notes, the account so drawn up shows a credit balance of £125,315. 2*s*. 11*d*.; but considering the character of the assets it is a balance which would hardly satisfy an accountant of a later date.[2]

The first sanguine half-yearly dividend of 6 per cent in 1695 had been followed by a second of 4 per cent. No dividend at all was paid in 1696; and in the course of that year Bank stock fell

[1] The £100,000 and £200,000 lent by the Estates of Holland; p. 28, above.

[2] As given in *J.H.C.* XI, 614, the statement runs:

	£	*s*.	*d*.
To sundry persons for sealed bills standing out	893,800	0	0
To do. on notes for Running Cash	764,196	10	6
To moneys borrowed in Holland	300,000	0	0
To interest due on Bank Bills standing out	17,876	0	0
Balance	125,315	2	11
	2,101,187	13	5
By Tallies on several Parliamentary funds	1,784,576	16	5
By half a years deficiency of 100,000	50,000	0	0
By mortgages, pawnes, other securities and cash	266,610	17	0
	2,101,187	13	5

The comments in the text are based on Dr Shaw's reconstruction in *Cal. Treas. Books*, XI, cxxxvii. He assumes that the liability on notes for Running Cash includes the £720,000 of paid-up capital treated as a deposit, plus £44,196. 10*s*. 6*d*. of later deposits; and he divides the tallies into long and short term. That the capital was treated as a deposit is shown in App. F.

The analysis of the notes and of the mortgages, etc., is from the Commons' report on the statement in *J.H.C.* XI, 621.

from above par to the 60 of October.[1] Inexperience, the pressure of the government, the Bank's own greed for business, and the somewhat fantastic belief in the "fund of credit" had led to over-issue. How much inflation of the whole circulating medium of the country there was it is hard to say. We do not know the size of the private note issue by goldsmiths, either before or after the start of Bank issues. Nor do we know to what extent Bank paper was replacing cash and such credit substitutes as inland bills. That it was doing so to some extent is certain.[2] Again for lack of statistics, we cannot say what expansion of issue would have been reasonably appropriate to a time of growing commercial activity. But signs which normally suggest inflation were present in 1695, before the slump and troubles of 1696. For many years the price of sterling silver had fluctuated between 5*s.* 2*d.* and 5*s.* 4*d.* per ounce. It was rising in 1695; stood at 5*s.* 9*d.* in June and touched 6*s.* 5*d.*, a maximum, in December. Silver prices were, however, affected by the shocking state of the silver coin. With silver, Dutch currency and various important commodities whose prices we know rose by 20 to 25 per cent during the boom; and the price of gold—but for special reasons—rose by much more.[3] These, except for the gold, are not outrageous figures; the bad harvests of the nineties help to explain some of the commodity prices, and war remittances would have strained the Dutch exchange in any event. But whatever happened to the goldsmiths' notes and other credit instruments, we can hardly doubt that the addition—huge for the period—made so rapidly to the circulating medium by the Bank had some genuinely

[1] Dividends and highest and lowest stock prices for the year are given in the table (1694–1720) in Scott, III, 244–5.

[2] Michael Godfrey in his *Short Account of the Bank of England* (1695), p. 5, says that its bills "serve already for returns and exchanges to and from the remotest parts of the Kingdom".

[3] The figures are summarized in Feavearyear, *The Pound Sterling*, p. 119. There is a closer analysis of prices in the thesis of Mr Ming Hsun Li already quoted. He argues that there was no true inflation.

inflationary effect. On the whole, in view of the Bank's ignorance and the government's importunity, it is satisfactory that no greater mistakes were made.

As the year 1696 drew to a close and the Bank was applying its policy of a call on "the 40 per Cent", the Treasury still had to find a way out of the financial bog. Sanguine Tories had hoped that the Land Bank might provide one; but that hope had been dashed. The Bank of England's £200,000 cash, voted in August and all paid by 30 October, helped the Army in Flanders, but solved no major difficulty of a national income overspent and national promises to pay—tallies and orders—standing at a heavy discount, because many were so remote in date and all were drawn against an income inadequate and, for the long future, uncertain. In connection with the House of Commons inquiry into the affairs of the Bank, late in 1696, it was suggested that the Bank might increase its capital by absorbing this floating debt of tallies and orders which it had been hoped that the Land Bank would deal with. On 28 November the Directors voted that "the subscribing of tallies into the capital stock of the Bank will not promote the Credit thereof".[1] But a month later the Select Committee of the Commons was interviewing and pressing them. A General Court was therefore called for 2 January 1697 to say whether it would be prepared to raise £2,564,000 "if the House should think fit to settle the Duties on Salt"[2] on the Bank; and whether it would accept tallies as capital. The Court thought the sum too great. On accepting tallies it was divided. No vote was taken on the policy, but some proprietors were "inclinable to it" Perhaps they held tallies.

The end of the whole matter, in spite of the resolution of 28 November, was the "ingrafting" of tallies into the capital stock by the Act 8 & 9 William III, c. 20—"an Act for making good the Deficiencies of Several Funds...and for enlarging the

[1] *C.B. B*, 28 Nov. 1696. [2] *G.C.B. I*, 2 Jan. 1697.

capital stock of the Bank of England and for raising the Public Credit". There was hard and close bargaining between the Directors and the Committee of the House in the early months of 1697. All major questions went to the General Court, which met ten times in the three months January-March 1697, once having its maximum recorded attendance, of 209 "and some others".[1] It was a vote of the General Court that laid down the famous condition on which the Bank was ready to make some of the suggested concessions—"That no other Bank or Constitution in the nature of a Bank be erected or established, permitted or allowed by Act of Parliament...during the Continuance of the Bank of England".[2] The General Court wanted no more Land Banks.

The critical Act that sanctioned this principle, though in other words, was of the omnibus, "ways and means", character of the original Act of 1694. Clause 20 authorized the increase of the Bank stock, while clause 71, and last, decided that "tobacco pipes found unfit for Sale, may on Notice be reburnt, and then the Duty to be paid". That was because a duty on tobacco pipes was among the financial securities for the new arrangements accepted by the Bank.[3]

The tallies and orders on future revenue which the government wanted someone to take off the market, with a view to improving its credit, were selling at all sorts of discounts, varying with their date but said to average in 1696–7 something like 40 per cent.[4] (There were tallies and orders afloat in 1696 that the Bank treated as "too remote"[5] to be discounted at all.) The Bank's notes were also at a discount of 16 to 17 per cent, and the October-November call on capital had not been answered by all proprietors at once.[6]

[1] *G.C.B. I*, 4 Jan. 1697. [2] *G.C.B. I*, 1 Feb. 1697.

[3] The Act is 8 & 9 William III, c. 20. And see *J.H.C.* XI, 717, 740–1.

[4] *History of the Early Years of the Funded Debt* (*Accounts and Papers*, 1898, LII, 269), p. 67. Compiled by G. F. Stutchbury, Chief Accountant of the Bank of England. And see Scott, III, 210. [5] *C.B. B*, f. 107.

[6] Stocks and shares had two quotations, cash and "bank and money". Scott, II, 233.

The government could not pay off its tallies but believed that it could go on paying the interest on them, and this proved correct. The Bank's credit, though none of the best, was thought to be—and again proved to be—good enough to let it take over a great block of tallies, although at the opening of the negotiation the Directors had thought differently.

The arrangement adopted was this. The Bank was to open an unlimited subscription for new capital. Subscribers might pay four-fifths in tallies and one-fifth in bank bills or notes. Both these classes of depreciated instruments were to be taken at par, to the great advantage of subscribers; for about £65 worth of tallies and notes a subscriber was credited with £100 stock.[1] The result was a subscription of £1,001,171. 10*s*. 0*d*., which would have raised the nominal capital to £2,201,171. 10*s*. 0*d*., if it had been formally added to capital, which in fact it was not. To correct the unfair situation that would have arisen if the subscribers on these easy terms had been given a claim to share in profits belonging to the old proprietors, the original stock—now in name at least 80 per cent paid up—was first to be credited, from profits in hand, with the 20 per cent necessary to make it also fully paid,[2] and was then to receive a distribution from the remaining balance of profit if any.

During the negotiation the Bank had been doubtful whether sufficient provision was being made by new taxes for "the Deficiences" referred to in the Act, and so stood out for a stiff rate of interest on the newly accepted tallies until they should be redeemed. The Act itself admitted that although "great Part of the monies lent" on existing duties "had been repaid with Interest...it was feared there would be a Deficiency to repay the Whole". The method of borrowing on tallies was, as we have seen, to pledge particular sources of income for the interest and

[1] This is Scott's calculation (III, 211 n.).

[2] *G.L. I*, f. 267: "By Profit and Loss for the Last 20 p.c. made good to the Members of the Bank out of the Profits thereof, £240,000."

the ultimate repayment of principal. It was this that made a long-dated tally so very speculative. In fact, since the Bank had been established, the Tunnage duties from which it got its first nick-name, and some other duties which were security for blocks of tallies, had been repealed.[1] Hence its determination to make sure of its income from interest, a determination which proved very profitable to it, as its financial record in the next few years shows.

Before any tallies were paid in as part of the new subscription, the Bank had a large supply of discounted tallies on hand. It secured permission to make a schedule of a block of these equal in nominal value to its own notes and bills received from the new subscribers. On these, as well as on the subscribed tallies, it was to receive 8 per cent, although the rate originally borne by a tally might have been less. But both government and Bank recognized that this high-interest-bearing mass of "Ingrafted Tallies", as they were called, was abnormal and ought not to become a permanency. No addition was therefore made to the Bank's nominal capital of £1,200,000 or to the £100,000 payable annually under the Act of 1694: the 8 per cent tallies were not to be reissued—as tallies often were, with a view to renewing the debt and extending its currency—but were to be paid off as soon as the government was in a position to do this, 8 per cent being allowed meanwhile on the outstanding balance.[2]

This arrangement, and the course of the year's trading, were so favourable to the Bank that, although its notes were still at a discount of 13–14 per cent in June 1697, by 24 July the "old members" had been credited with their 20 per cent out of profits and had received a distribution of 3½ per cent. Another 4 per cent on all capital was paid before the year was out.

[1] In the discussions of Jan. 1697 the Bank complained that Parliament had "thought fit...to take away" the Tunnage Duties and a duty on Coals which was the security for many tallies: *G.C.B. I*, 4 Jan. 1697.

[2] *History of the Early Years of the Funded Debt*, p. 67. In the accounts these "Subscription Tallies" were kept carefully apart: *G.L. I*, f. 421.

The Act secured important advantages to the Bank, besides its 8 per cent and the critical clause 28 under which no other "Corporation Society Fellowship Company or Constitution in the nature of a Bank" was to be "erected or established permitted suffered countenanced nor allowed" during "the Continuance of the Bank of England". At one stage in the discussions the politicians had suggested that this continuance should be for two years only;[1] but the Act made it until the expiry of a year's notice after 1 August 1710. And, by clause 36, forgery of the Bank's notes was to be punished with death, the penalty for clipping or coining the King's money. Bank notes were not yet King's money, but they were getting near to it. The privileges were accompanied by a restriction imposed by amendment on the third reading, against which the Bank protested vainly as an infringement of its Charter. In future not more than two-thirds of the retiring Directors were to be reappointed at the annual election. This clause had in fact been in the draft of the original by-laws; so, although at that time it had been rejected, it cannot have been unwelcome to many important members of the directorate.[2]

Peace—though it proved a short peace—was being negotiated that summer. By September all parties in the war had signed except the Emperor; and Bank stock, which had been at 60 in October 1696, touched 98 on 15 September 1697. The trouble and drain of "remises" was over. The Bank could look forward to paying off its debt to the Estates of Holland and recovering the tallies which had been deposited with the Dutch ambassador as security, to have them cashed at the Exchequer as they might fall due. Meanwhile it was getting its handsome return on the ingrafted and scheduled tallies. Some fell due for repayment every year and the government was in a position to repay. The

[1] Rejected by the Bank, *G.C.B. I*, 1 Feb. 1697.

[2] The draft by-laws and their amendment are discussed in Acres, *The Bank of England from Within*, ch. VI (I, 37–41, and see I, 80).

rise in the market price of Bank stock was stimulating: Anderson the historian had "often heard it said by persons who lived at this time that Sir Gilbert Heathcote [repeatedly Director and twice Governor of the Bank] gained by that rise of the price above sixty thousand pounds".[1] Ordinary commercial business was expanding; discounting of inland bills became brisker; that of foreign bills more normal. By August 1698 the Directors found it possible to divide a considerable sum—£7 per cent in all. Of this £6. 3*s.* 2½*d.* was treated as an "ordinary" dividend, and from the small balance a beginning was made with the repayment to proprietors of the capital specially subscribed in tallies and notes during the previous year. This policy was continued for ten years (August 1698 to July 1707); though no payment was made on capital account in 1699 or in 1701. In 1702, in spite of the renewal of war, a very substantial repayment (of £7. 10*s.* 0*d.* per cent) was made; and in 1706 a maximum repayment of £11. 5*s.* 0*d.* per cent was possible. All the while dividends from profits were declared half-yearly, and they never fell below £7 for the year. The maximum aggregate distribution was in 1703, of 19 per cent, half being dividend from profits and half capital repaid. In 1705–6, the time of maximum capital repayment, the dividend in the strict sense was kept down to 7, to allow of what was nearly the completion of the capital operation. Next year with a final "capital" dividend of 3*s.* 0½*d.* per cent the episode of the ingrafted tallies was closed, the whole principal of £1,001,171. 10*s.* 0*d.* having been returned to the proprietors. The "capital" dividends declared came all told to £45. 9*s.* 9*d.* per cent; but they sufficed, because although the nominal capital was kept at £1,200,000 they were calculated as percentages of the expanded capital of £2,201,171. 10*s.* 0*d.* In this way a single large "capital" dividend, such as the £9. 10*s.* 0*d.* per cent of 1703, in itself went some long way towards paying off the "ingraftment". The Bank was in a

[1] Anderson, *History of Commerce*, II, 631.

very much stronger position during Marlborough's wars than it had been during those of William III.[1]

This episode of the repayment is a kind of postscript to the abnormal financial operations of 1697 which had preceded it, and is so treated here. To understand the strength of the Bank in the early eighteenth century one must also understand its growing intimacy with government after 1697; the expansion and increasing standardization of its note issues; the growth of the discounts; the abandonment of various experimental and not very lucrative types of business practised in its early years; the beginning of what was to be its important trade in the precious metals; and—perhaps most important of all—one must not forget the expansion of the commerce and finance of London which, as time passed, it was to dominate.

[1] Dividend details are in the table in Scott, III, 244–5 and in Appendix B below. And see *Early Years of the Funded Debt*, pp. 66–8.

CHAPTER II

THE BANK AND THE GOVERNMENT, 1697–1764

SO long as Charles Montagu was in high office, and that was until he ceased to be First Lord of the Treasury in November 1699,[1] the Bank had a patron—almost a father—who could be trusted at all times to weigh its interests with those of England. Godolphin, who as Lord Treasurer directed the finance of Marlborough's wars from 1702 to 1710, had not Montagu's enterprise, but he was excellently qualified to carry on the new but now consolidating financial system that Montagu had initiated, with its National Debt, its Bank, and its Exchequer Bills.[2] For the last year of his life (1714–15) Montagu, now Earl of Halifax, was again in high office, but there were no important developments that year. Before this a man had appeared in a lower place (Secretary at War and Treasurer of the Navy) who was at once recognized as competent in finance. After Montagu's death he was for two years Chancellor of the Exchequer (1715–17) and from 1721 Chancellor and "prime minister". Of all others, "Mr Walpoole", as he first appears in the Bank's books, was best qualified to work and develop the new system. Long before he fell from power the Bank's national position was secure beyond any question.

Really more important for the development of the system was

[1] He became First Lord in succession to Godolphin in 1697.

[2] The Treasury was in commission under William and Mary. Under Anne, Godolphin was Lord Treasurer and after him Harley (Oxford) and Shrewsbury. The office has always been in commission since 1714.

the fact that William Lowndes was Secretary of the Treasury from 1695 till he died in 1724. He had served there since 1679, had helped with all financial experiments and had been an original proprietor of Bank stock. (But he had sold at the right moment.) He was, with Pepys, one of England's first great civil servants of the modern school; and this civil servant sat in Parliament like Pepys, only very much longer—continuously from 1695 to 1714 and again from 1722 to 1724. There was nothing irregular about that in the tradition of his day. For the Bank it was most convenient. Lowndes was consulted about clauses suitable for Acts of Parliament. He might himself introduce a financial scheme affecting the Bank in that Committee of Ways and Means whose name he is said to have invented: he did so in 1697 and again in 1708–9.[1] If the Treasury wanted cash too quickly, or paid it too slowly, a letter went to Mr Lowndes. Complicated business about Exchequer Bills would be discussed with him before it went to the Directors or to the Lords of the Treasury. In the Court Books of the early eighteenth century his name recurs constantly.[2]

The first Exchequer Bills, those of 1696, had not been a great success. As they did not flow at all easily into circulation, the flow had to be boosted, and those of 1697 were made acceptable in payment of taxes.[3] On 19 April of that year the King himself made a proposal about them to a deputation from the Bank. What he proposed we are not told but can guess; for the Court resolved the same day that "provided the management of the money subscribed for circulating the...bills" was entrusted to the Bank, with a group of Trustees representing outside subscribers, they would recommend the General Court to vote

[1] For 1697 see *J.H.C.* XI, 704, 717. His action in 1708–9 is referred to in *G.C.B. II*, 23 Dec. 1708.

[2] The Lowndes MSS (Bodleian, Eng. Hist. B, 4) throw no light on all this. For his appointment as Secretary, 24 April 1695, see *Cal. Treas. Books*, X, 1369.

[3] To be exact, in payment "of any Ayds Taxes or Supplys for the Service of the War for the year 1697 (Except ye III Shilling Ayd)": this is printed on the Bills for that year.

£50,000 and its members to give further support personally.[1] This was debated in a full General Court two days later: present, the Governor, Deputy Governor and Directors, with 132 signed, and "divers" unsigned, members of "the Generality". The Directors were beaten. The "Generality" would not vote this £50,000: all that they voted was "that the members of this Court will immediately proceed to a voluntary subscription personally in their private capacities". Two days later again when, at an adjourned meeting, a subscription roll lay ready for signature, "in case any members of the [General] Court were willing to subscribe", only forty-eight members attended: how many subscribed we do not know.[2] Directors had done their best but had not yet perfected the art of making shareholders do as they are told. Yet after this partial defeat it is clear that the Directors stood to their policy and subscribed heavily themselves. For when on 23 April a board of twelve Trustees for the subscribers was appointed, just as they had proposed, more than half were leading personalities from the Bank—Heathcote, Janssen, Furnese, Francis Eyles, Knight, James Bateman and Sir William Ashurst.[3]

These gentlemen proved shrewder than the non-subscribing absentees of the General Court. The terms which they demanded for their assistance in making the Exchequer Bills flow were so stiff as to have been called "ruinous" from the government's point of view.[4] No doubt they explained to their colleagues the mistake that had been made: ten years later, when the Bank's official policy towards Exchequer Bills was reversed, all of them, except Furnese and Knight, were still prominent members of the Court of Directors. From 1705 to 1707 Bateman—by that time Sir James—was Governor, and Francis Eyles succeeded him.[5]

[1] *C.B. B*, 19 April 1697. [2] *G.C.B. I*, 21 and 23 April 1697.

[3] *Cal. Treas. Books*, XII, 143.

[4] By Dr Shaw: *Cal. Treas. Books*, XI, cxlviii.

[5] Lists of Directors and Governors are in Acres, *The Bank of England from Within*, II, App. I.

It may have been because the Exchequer Bill had been designed originally as a sort of rival to its own sealed bill[1] that the Bank handled it so cautiously at the start. A special vote of Court was needed in August 1697 before Exchequer Bills were accepted in payment of a bill of exchange for £8318. 3*s.* 2*d.* drawn on Lord Ranelagh (the Paymaster-General of the Forces) and payable to Abraham Houblon for the use of the Bank. Even so, the man who drew the bill was requested to make good any loss the Bank might incur.[2] The Exchequer Bill, in war-time, was as likely as other government paper to stand at a discount. So for that matter were Bank sealed bills. But risks lessened with the peace, and the two high parties became more indulgent towards one another's paper. By October 1698 the Treasury is agreeing to "receive such bills of the Bank of England commonly called Bank Bills sealed...and bearing no interest, as shall be tendered,... provided the said Bills are not at any discount".[3] The time was getting nearer when the Bank would circulate the Exchequer Bills for the Treasury, cash them on demand, accept them as deposits, make generous advances on their security and even pay a dividend in them. But so late as June 1701 the Directors were discussing, but not adopting, a proposal to "take no more Exchequer Bills till further order".[4]

After two more years of peace and financial recovery—Bank stock in 1700 varying between a minimum of 124½ and a maximum of 148¼—it became apparent, when Louis XIV marched into the Spanish Netherlands, in February 1701, that war could not be held off for long. The French were at Ostend, and the presence of a great hostile power thereabouts has generally been enough to make England hoist "the bloudy ensigne" of battle.[5]

[1] See p. 39 above. [2] *C.B. C*, 11 Aug. 1697.

[3] *Cal. Treas. Books*, XIV, 161. The non-interest-bearing sealed bills were a minority, so this decision means that the Treasury will accept even the least attractive sealed bill.

[4] *C.B. D*, 7 June 1701.

[5] This is a seventeenth-century naval term.

Real war did not begin that year, nor before King William's death; and when it came—in 1702—it came slowly. But Bank stock did not again stand so high as 148¼ till 1717. Yet the general position of the Bank throughout these war years—barring particular vicissitudes—remained good. It was not required to set up a kind of branch office in the Low Countries, as in King William's war, and the help that it gave in connection with "remises" to Flanders or elsewhere was not an important part of its war business. Godolphin's finance was steady and Marlborough's genius told on money markets as well as on battlefields. When, in 1703, that French march into Germany began which ended next year at Blenheim, coinciding as it did with other bad war news, Bank stock fell sharply and the Bank was obliged to meet heavy demands for cash by reverting to the issue of interest-bearing sealed bills. But meanwhile the capital of the "ingrafted tallies" was being paid back steadily. This piece of debt redemption in war-time, already described, has not been praised as it deserves; but as it was accompanied, in 1705–7, by relatively low Bank dividends from profits (as distinguished from these capital dividends) Bank stock was often below par, continuously below in 1706, and for a few days so low as 76¼.

When Prince Eugene, on the road to Blenheim, complimented Marlborough on the spirit of his men, a thing that money would not buy, he said that England's abundance of money did account for their fine clothes and fine horses.[1] And certainly, as compared with any other country except perhaps Holland, England showed no lack either of treasure, of credit, or of taxable capacity, the war taxes against which anti-war pamphleteers screamed being in proportion to her wealth bearable. The Treasury, or the heads of particular departments in their own names, borrowed from the Bank in the usual way to meet short-term requirements. Longer-term needs were met in the early years of the war mainly by the sale of annuities, not the annuity for one to three lives of

[1] Trevelyan, G. M., *England under Queen Anne*, I, 352.

William's reign, but the Queen Anne style of annuity for 96 or 99 years, which, like a 99-year lease, is nearly as good in its early years as a "perpetual fund".[1]

As the termination, or the date for the renewal, of the Bank's Charter began to come within sight, both the Directors and the government naturally took into consideration possible financial arrangements connected with it. The Bank might buy a long renewal by some generous offer: the Treasury could hope to dispense with other ways of raising money by asking a stiff price. So early as December 1706 Sir James Bateman told the General Court from the chair that the Directors "had had some thoughts among themselves" on the matter and had considered making an offer of £1,200,000 at 5 per cent in return for a twelve years' prolongation of the Charter.[2] This became common knowledge in the City; and when on 5 February 1707 the suggestion was approved by the "Generality" others began to contemplate action.

It is said that a group of private bankers thought of undercutting the Bank by suggesting that a larger sum—£1,500,000—might be raised by means of Exchequer Bills. Like the Bank they contemplated a 5 per cent basis.[3] But Bateman and Francis Eyles knew all about Exchequer Bills and did not wish any outside group to secure control of that profitable type of government paper. If the bankers did strike, the Bank parried with an offer of £1,500,000 at 4½.[4] Probably it was in touch with William Lowndes. By 24 March the royal assent had been given to a bill which included clauses that made the offer and its acceptance part of the law of England (6 Anne, c. 21). Civil servants and

[1] Grellier, J. J., *The Terms of all the Loans that have been raised for the Public Service* (1805), p. 8.

[2] *G.C.B. II*, 19 Dec. 1706.

[3] The story comes from Luttrell's Diaries: it is hard to know how well informed he was on such points and how far he was repeating gossip. Most historians have accepted the story, e.g. Scott, *Joint Stock Companies*, III, 223.

[4] *G.C.B. II*, 5 Feb. 1707: it is reported that Parliament will accept this offer.

legislators could be prompt in Queen Anne's day. The Bank was to "circulate" the Bills and—an important condition—"to pay the same as Specie Bills upon the first issuing", under penalties if it did not so exchange them for ready money on demand. It might also call on its proprietors for the necessary capital. The Bills, having "circulated" back to the Exchequer—in payment of taxes or otherwise—might be re-issued and their currency prolonged. They were secured on the house duties. Until they were paid off no others were to be created; and so long as they remained unredeemed the Bank was to "continue a Corporation". It had thus very shrewdly acquired a provisional, and for the time being indefinite, prolongation of its Charter, in return for its sacrifice of ½ per cent. More than that; it had secured from this time forward, as it was to prove, the position of principal agent for that business of the Exchequer Bills which became a permanent part of the financial system of the country both in war and peace.

It had also got rid, for the time being, of those very small Exchequer Bills—for £10 and £5—which were most likely to compete with bank notes as a form of currency.[1] On 13 March, when the new arrangement was nearly complete, the Bank begged the Lord Treasurer to issue £100, £50 and £25 bills "printed in three different characters", to facilitate handling.[2] In April the Court was arranging ways of handling "every £10,000...in Exchequer Bills brought into the Cash", and in June was laying them up in convenient bundles "in the Vault". By October it was negotiating with the officials of the Excise "for the safe returning of...Bills from the Collectors abroad". The "circulation" had become a reality,[3] but it was slow. Bills did not pass rapidly from hand to hand like bankers' notes.

Meanwhile the Bank's national position had been strengthened

[1] For the £6. 5*s*. 0*d*. Exchequer Bills of 1711 see p. 67 below.

[2] *C.B. E*, 13 March 1707.

[3] *C.B E*, 24 April, 12 June, 2 Oct. 1707.

by the financial arrangements connected with the Act of Union with Scotland, which came into force on 1 May 1707. As compensation to the Scots for accepting liability for Excise and Customs duties, levied to pay the interest and in theory repay the principal of England's national debt, they were assigned by England the famous "Equivalent" of £398,885. 10*s*. 0*d*.; and the Bank was made the channel of payment. Having been credited with this sum by government, it proceeded to transmit to Edinburgh over £100,000 in cash and the balance in Exchequer Bills—the cash moving in twelve wagons with an armed guard. It was acceptable to the Scots, but these Exchequer Bills were not. In view of their novelty and unfamiliarity north of the Border this is not in the least surprising. By no means all those to whom payments from the Equivalent were due proved ready to take them. So the Commission responsible for the business of the Equivalent asked for another £50,000 cash. It was sent with similar precautions, towards the end of August, and was sixteen days on the road: "but half the time the other was".[1]

The renewal of the Charter still had to be faced: it had only been deferred. There were questions of capital also to be considered and how to meet the growing pressure from government, as the war showed no sign of coming to an end. First, advantage was taken of the Act of March 1707, which authorized an unspecified increase of capital in connection with the issue of Exchequer Bills, to make a call of 10 per cent; followed by another in May and a third in July.[2] In March 1708 came a final call of 20 per cent. This 50 per cent all told was based on the

[1] Acres, I, 99. The Bank's connection with the Equivalent is fully dealt with by Acres and Scott. The expenses of "The Scotch Expedition" are entered in *G.L. III*, f. 568: they came to £1919. 6*s*. 9*d*. Each of the Commissioners received £134. 7*s*. 6*d*. and each wagoner £45.

[2] *G.C.B. II*, 20 March: a call of 10 per cent "whereof the...dividend of 3¾ be part"; 30 May: another 10 per cent; 25 July: that "a third ten per cent be called"; 16 March 1708: 20 per cent more "for the better circulating of Exchequer Bills".

figure of £2,201,171. 10*s.* 0*d.*, at which the nominal capital had been retained during the years of repayment of the "ingrafted" stock, and in spite of that repayment. The four calls therefore yielded a claim to receive £1,100,585. 15*s.* 0*d.* But, by a book-keeping arrangement, the capital was not increased beyond the £2,201,171. 10*s.* 0*d.* It was kept precisely at that figure; the new money being made to replace the repaid "engraftment". Why this intricate procedure was adopted is not clear. Perhaps Directors and Accountants had become wedded to their £2,201,171. 10*s.* 0*d.* without exactly knowing why.

The position in 1708 looked favourable for capital operations. In the second half of 1707 the half-yearly dividend had risen to 4 per cent. In 1708 the two half-years yielded £4. 5*s.* 0*d.* and £8. 5*s.* 0*d.* respectively. Bank stock which had got above par again in October 1707 is never reported as below 111½ in 1708. It is just possible that the Directors were dividing generously with an eye to a capital operation. But although they had profits to divide they were not very happy. Prospects of a Charter renewal had bred a litter of critical pamphlets in 1707–8—*Remarks upon the Bank of England*; *Some Considerations against the Continuance of the Bank of England*; *Dangers of the Bank of England*; and so on. The author of the *Remarks*, who was the parson of St Andrew's, Holborn,[1] spoke incisively about Directors who discounted for one another and abused their position as Members of Parliament: a clique of them might blackmail government and upset our constitution. Why, he asked—and this places him outside the common ruck of pamphleteers—why should not government "freely exert its own Credit", on the analogy of the Exchequer Bills? Evidently he had government issue in mind.

There were rejoinders and replies to these attacks, one of which —*A Vindication of the Bank of England*—is credited to Nathaniel

[1] His name was Broughton: he was the author of other politico-economic tracts collected in his *Vindication and Advancement of our National Credit and Constitution* (1710).

Tench, a Director and ex-Governor of the Bank. It certainly shows inside knowledge, including what is called a "guess" that the Bank kept a specie backing against its liabilities of one half, and the statement that so far was it from monopolising the nation's cash that Lombard Street alone had as much.[1] Whether Tench was instructed to write this pamphlet or not, the Directors took the attacks seriously. When asking the "great numbers of the Generality" who attended to approve the 20 per cent call of 3 March, 1708, Francis Eyles, the Governor, argued that "nothing can tend more to the Security and Reputation of the Bank (which seems to be attacked at this time by the groundless jealousies of some and the ill designs of others) than an Augmentation of its Capital".[2] What the "ill designs" were is not very clear. There had been a French invasion scare in February; there had also been a Jacobite rebellion scare in 1707; and there is a not quite contemporary story[3] of a concerted run on the Bank when "the late hurry of an expected invasion sunk the price of stock 14 or 15 per cent." The pamphleteer aims at Sir Richard Hoare, but his accusation has no more weight than his anonymity gives him;[4] and the Hoares had rather friendly financial relations with the Bank as a rule. But invasion scares were apt to produce runs, concerted or not, and evidently the Governor thought that there were more dangerous things abroad than just pamphlets.

[1] The *General Ledgers* do in fact show a very good proportion in 1707–8, e.g.: Aug. 1707, Cash Notes, Accountable Notes and Drawing Accounts, £1,041,000; Treasury and Cash, £475,000: Aug. 1708: the Treasury and Cash together £566,000: Cash Notes, a few Accountable Notes and Drawing Accounts £775,000. There was also a liability, in each year, of some hundreds of thousands on the Sealed Bills; but this was held to be of a different, less urgent, kind. The interest paid on Sealed Bills was £17,000 in 1707 and £23,000 in 1708. *G.L. III*, f. 591–2, IV, f. 1–2.

[2] *G.C.B. II*, 16 March 1708.

[3] In *The Anatomy of Exchange Alley*, attributed to Defoe.

[4] See Acres, I, 98; Scott, III, 222; Hilton Price, *A Handbook of London Bankers*, p. 85.

The big dividends voted in 1708 (12½ per cent) both kept up the market price of stock, in spite of these alarms, and went a long way towards providing proprietors with cash for the 20 per cent call of that year. At its close stock was fluctuating about 120. It was on 23 December that the Governor asked for the "advice and direction" of the General Court "in very important matters".[1] Mr Lowndes, he had reason to know, was laying certain proposals affecting the Bank and its future before the Committee of Ways and Means. The proposals were explained, and the General Court adjourned to ponder them over Christmas. It did not meet again until 4 February 1709, the Directors having meanwhile discussed the matter at length. Then the Governor, in a long speech, begged them to decide quickly. The Commons were waiting. The country needed "specie". Perhaps more Exchequer Bills were the only remedy. He also begged "that these Debates...be carried on with that calmness of temper, and respect towards one another, that became Gentlemen who had but one View or Design, which was the prosperity and safety of the Corporation".[2] A debate followed this appeal from the chair, but no amendments were moved. The approved proposals passed rapidly through both Houses of Parliament; and by Tuesday, 22 February, at 9.0 o'clock in the morning subscriptions were being taken in Grocers' Hall for doubling the capital of the Bank, at £115 for every 100 stock —one of the main items of the proposals that had been under discussion since December. By 1.0 p.m. the list was full: "indeed such was the crowd of people that brought their money... that near one million more could have been subscribed that day".[3]

The Act (7 Anne, c. 7) "for enlarging the Capital Stock of the Bank of England and for raising a further supply" was based throughout on those proposals of Lowndes which the General Court had been asked to debate "with calmness of temper".

[1] *G.C.B. II*, 23 Dec. 1708. [2] *G.C.B. II*, 4 Feb. 1709.
[3] Luttrell, *A Brief Historical Relation of State Affairs*, VI, 406.

The Bank, the Act explains, had doubled its stock, which now stood at £4,402,343. 0*s*. 0*d*. It had agreed to advance another £400,000 in return for its £100,000 a year. (That is to say it now got 6 per cent and £4000 for management, on £1,600,000 instead of the original 8 per cent and £4000, on £1,200,000.) It had agreed to "deliver up" all the Exchequer Bills issued under the Act of 1707, "as fast as they can get them into their custody to be cancelled"; but it would take "other Exchequer Bills" to a maximum of £2,500,000.[1] The 1707 Act had provided that no fresh bills were to be created until that series was cancelled. To assist the paying off of the series, the Bank was to receive an annuity of £106,501. 13*s*. 5*d*. as from Michaelmas 1710. This was in place of, and an improvement on, the 4½ per cent promised on the £1,500,000 of that issue. The new Bills were to bear interest at 2*d*. per £100 a day and the Bank was to get 3 per cent for "circulating" them. But—a vital clause, No. 57—the Bank was not obliged to cash these Bills "until the said Bills shall have had a currency...and shall have been re-issued"; that is, until they had once been through the Exchequer, in payment of taxes or otherwise. In the Bank's terminology they became "Non-Specie" bills, as opposed to Bills which it had to cash at sight, which were "Specie". When it took them first it could refuse a demand for that prompt cash which the government always wanted.

Payment of the original £100,000 annuity to the Bank was to cease and the Corporation of the Bank "to determine" after a year's notice from 1 August 1732—provided all that it had lent to government and all tallies then in its possession which gave it claims on the Exchequer had been repaid. It thus secured a considerably longer extension of its Charter than the Directors had contemplated when they first had "thoughts among themselves" about it in 1706.[2] And the conditions for "determination" were becoming less and less likely of fulfilment.

[1] *C.B. E*, 31 Jan. 1709; and see the Act, § 6.
[2] See p. 58 above.

The monopoly clause was re-enacted and made more precise: while the Bank endured, no corporation or partnership of more than six persons should "borrow owe or take up any Sum or Sums of Money on their Bills or Notes Payable at Demand or at any less Time than Six Months". A later clause provided that no Exchequer Bills were ever to be issued without the Bank's consent. They were in fact issued continuously and the Bank gave its consent in formal contracts with the government which became in time a matter of stately routine.

There had been a miscalculation of the Treasury's requirements in Exchequer Bills. To meet them, a short additional Act (7 Anne, c. 8) was at once slipped through Parliament authorizing a further issue up to £612,739, provided the Bank gave its consent. The Treasury wanted money to pay the "interest and allowance" on the main block of Bills "until the Funds to be appointed for the payment thereof commence". The General Court left the Directors to make the best bargain they could about it.[1] So it might be said that the Bank agreed to help "circulate" more Bills in order to pay itself.

These various operations required more capital than the 20 per cent of the new subscriptions paid at the time of subscribing. Towards the end of the year therefore, in December, the Directors induced the General Court, which seems to have been somewhat reluctant, to vote a 15 per cent general call. There were very few defaulters on it.[2] Before that, in July and September, the Bank had taken steps to force the Exchequer Bills into circulation, firstly by paying them out in the large regular business of discounting tallies; secondly, by discounting foreign and inland bills and promissory notes at the low rate of 3 per cent "to such as will

[1] *G.C.B. II*, 3 March 1709. The Funds referred to are the funds from particular taxes on the security of which the Bills were issued.

[2] *G.C.B. II*, 15 Dec. 1709. The amount not paid was £4147. 6*s.* 10*d.* out of a 15 per cent call on £4,402,343. 0*s.* 0*d.*: *Early History of the Funded Debt*, p. 69.

take Exchequer Bills"; and thirdly by deciding that the next dividend should be paid not in cash but in the Bills. A little later, as an equivalent, the Court decided "that if any occasion be hereafter to call in Money" the Bills would be accepted as cash.[1] This no doubt helped the payment of the December call.

These operations were difficult so long as the Bills, or any of them, were "Non-Specie". Difficulties were greatly increased if such Bills were at a discount as they sometimes were in 1710. The Directors did not feel strong enough to treat them as "Specie"—that is, cashable at first sight and at par—without more help from the Exchequer. They told the General Court at the time of the December call of 1709 that they had "reasonable hopes...of being able to make all the Exchequer Bills as good as Money";[2] but these hopes were not realized for over a year and until, by vote of 13 October 1710, a further call on capital of 10 per cent had been agreed to by "the Generality".[3]

This 10 per cent call was due to be paid up by 20 December. As with the 15 per cent call of the previous year, the money came in well, and the call realized £501,448. 2*s.* 11*d.*[4] At the turn of the year a joint committee of the Court of Directors and the General Court was discussing a suggestion that had come from the House of Commons—almost certainly Lowndes' work—for helping the Bank to "make all Exchequer Bills as good as Money" by allowing it a sum up to £45,000 a year. The Court reported on 25 January that not more than £975,000 of "Non-Specie" Exchequer Bills were "then abroad" and "that by Tallys, Notes, Foreign Bills of Exchange and Loans on Deposits of Tallys the Bank hath a demand for such a sum as may in a short time reduce these Non-Specie Exchequer Bills to about £400,000". They thought that, with a guaranteed allowance from the Treasury—

[1] *C.B. F*, 14 July, 15 Sept., 22 Sept. 1709.
[2] *G.C.B. II*, 15 Dec. 1709. [3] *G.C.B. II*, 13 Oct. 1710.
[4] The two calls, not quite fully met, left the nominal capital at £5,559,995. 14*s.* 8*d.*: *Early History of the Funded Debt*, p. 70.

the House had voted the £45,000 contingently on 16 January—"a sufficient Subscription may be taken in due time" to meet the liability to pay all Exchequer Bills on demand, to make them all "Specie".[1]

Upon this the General Court left the rest to the Directors. Asked did they "expect the trouble of being called together" to hear about the final arrangements, they said they did not.[2] Next day the Directors decided to consult Mr Lowndes "upon the form of a proposition to be delivered to the House of Commons".[3] After discussion with him and other experts, and perusal of a draft Bill by the Committee for the Treasury, the business went forward.

The upshot was the short Act of Parliament (9 Anne, c. 7) "for engaging and obliging the Bank of England for the Time therein mentioned to exchange all Exchequer Bills for ready Money upon demand". The Bank was to have its £45,000 until "all the quarterly Exchequer Bills made for interest and a million of the Bills be paid off". These quarterly bills are the key to the policy of the Treasury. It wanted its interest bills to be "Specie"—payable in cash on demand on their first issue. The effect would be to transfer the discount, or risk of discount, "from the holders of the bills to the national finances".[4] Incidentally the Act authorized the creation of bills in units of £6. 5*s*. 0*d*., evidently to be used in paying interest. It also permitted the Bank to "contract with others" for raising the necessary funds.

This permission to maintain a fund distinct from the Bank's own capital stock was repeated three years later in the more elaborate Act of 1713 (12 Anne, c. 11), the Act which besides arranging for a further £1,200,000 of Exchequer Bills, and granting the Bank £8000—over and above the £45,000 of 1710–11—in order to keep them "Specie", declared that it should remain a corporation until all the Bills were discharged, and in

[1] *C.B. F*, 25 Jan. 1711.
[2] *G.C.B. II*, 26 Jan. 1711.
[3] *C.B. F*, 27 Jan. 1711.
[4] Scott, I, 387.

any case up to one year after 1 August 1742. This guarantee for almost a generation was near to a grant of perpetuity.

The fund for which the Bank was thus authorized to "contract with others for furnishing Monies for exchanging such Bills"[1] became a thing established for half a century: it was a form of underwriting. Its official name was the Subscription for the Circulation. Sometimes it was called the Subscription, sometimes the Circulation. It was so distinct a thing that, in course of time, it acquired its own stock exchange quotations side by side with those of Bank stock, even on the Bourse of Amsterdam.[2]

In March of 1711 the Directors had submitted a scheme which the General Court approved. A subscription of £1,000,000 was to be taken "to make Exchequer Bills Specie". It was to be "general to such persons as will voluntarily enter into the same". No subscription was to be less than £500 or more than £5000. Twenty per cent was to be paid up, of which one half was to remain as a deposit for securing the other half—if that were wanted—or any future calls; but no call was to be for more than 20 per cent, "nor any to be made after this year". The terms were very generous, 6 per cent interest and a 3 per cent premium on the whole (nominal) amount of the subscription.[3] The amount actually subscribed was £832,100; but there were no calls at all,

[1] 12 Anne, c. 11, § 18. Under § 20 it had the option of raising the money by a call on the proprietors.

[2] For Amsterdam see Wilson, *Anglo-Dutch Commerce and Finance*, p. 138. From 1731 the Circulation is quoted in *The Gentleman's Magazine*. Cantillon, writing in 1730–4, implies that it was first adopted in the crisis of 1720: *Essai sur la nature du commerce*, p. 320. (See pp. 89–90, below.) Francis, *History of the Bank of England*, I, 167, writes as if it started in 1750. Andreades, *History of the Bank of England*, does not mention it. Martin, *The Grasshopper in Lombard-Street*, supplies invaluable facts but finds it "a little difficult to explain" (p. 137). Acres (I, 181) refers to it incidentally. The best discussion, on the facts then available, is in Bisschop, W. R., *Rise of the London Money Market* (1910), pp. 135–7.

[3] *G.C.B. II*, 19 March 1711.

not even of the second 10 per cent: that is to say, £83,210 was paid up. The yield works out at 36 per cent!

In January of 1712 it was agreed to circulate Exchequer Bills "as Specie" for another year on the same basis.[1] The Court of Directors, not the General Court, decided to "fix some method for the accommodation of the Subscribers to the former Contract so as they may have Credit on their former Deposits".[2] There was a similar vote eighteen months later.[3] The Subscription is becoming a semi-permanent thing, though it is voted afresh—and subscribers are given their interest and premium—each year. It was part of the contract that failure to respond to a call carried forfeiture of the deposit.

Each year from 1712 to 1722 the General Court repeats its vote, varying the details and stating what is to happen "if any call shall be made". There were two 20 per cent calls in 1714.[4] In 1715 there were two more on the new contract, "the contract now in being", and subscribers were encouraged to find the remaining 50 per cent voluntarily.[5] Some of them did. From 1715 to 1718 there were no calls. In 1719 there was one of 20 per cent; but a proposal to repeat it was negatived and the payment of the remaining 70 per cent was left to subscribers' goodwill.[6]

In 1722 the General Court abdicates: it empowers the Directors to "take a subscription" as and when they think fit.[7] Seeing that by a vote of 1713 the Governor and the Deputy had been authorized to refuse subscribers unless their "abilities are approved",[8] this gave them and the Court a free hand. It may be well to see how they played it, in Walpole's day and subsequently, before returning to the days of Queen Anne.

[1] *G.C.B. II*, 31 Jan. 1712.

[2] *C.B. F*, 1 Feb. 1712.

[3] *C.B. G*, 22 July 1713.

[4] *C.B. G*, 1 and 18 Feb. 1714.

[5] *C.B. G*, 20 Oct. and 4 Nov. 1715.

[6] *C.B. H*, 24 March 1719.

[7] *G.C.B. II*, 10 July 1722.

[8] *C.B. G*, 30 July 1713.

subscribe by write-off from these accounts and so no cash would come in.

When this crisis was over the business resumed its former course. There is the annual "Subscription" vote. Normally only 10 per cent is paid up.[1] The total sum is shared, by the vote itself, among "People in the Management and their Favourites". The quotations for "Bank Circulation" are as a rule above par and rise through the year as the November share-out of the year's interest and the premium approaches. This comfortable and rather dubious source of income for the inner circle continued until November 1760, when the 1759 vote expired. This last vote had all the old features: each Director got a £35,000 share and handed in "his list" of those who were to have bites at it.[2] Then suddenly, without recorded discussion, the thing stops. It can hardly be that there were unrecorded votes; although there certainly are no less than four Court meetings that autumn with blank minutes. In the press, the quotations of "Bank Circulation" which had appeared regularly for over thirty years came to an end. For a few months *The Gentleman's Magazine* hopefully printed an empty column. But as this never got filled it was cut out.[3] Magens was well known in the City. Perhaps his criticism of "the Circulation" as a job, and of no great use in one kind of emergency, had some influence. This however is only guesswork. What we know is that the last subscribers cleared 6½ per cent.[4]

[1] Martins' books for 1742–4, quoted in *The Grasshopper*, p. 141, show subscriptions of £9000, but only £900 paid up. The Circulation, we are told, appears in Martins' earliest surviving books, of the twenties. Evidently they were "Favourites" and thought it a sound bankers' investment. They received "Circulation Notes" for the 20 per cent call on the 35th subscription and for the part of the remaining 70 per cent paid voluntarily. Mr Martin dates this 1739; but as the 35th subscription was that of 1745 this must be a slip.

[2] *C.B. Q*, 5 Nov. 1759. The vote is identical with that of 1758 and 1757.

[3] The Circulation disappears from Martins' books, naturally, in 1760: *The Grasshopper*, p. 140.

[4] Interest 4 and premiums ½, as before. The Bank's last payment was £8472 10*s*. 0*d*. *G.L. XII*, f. 558.

To return to the days of Queen Anne: before the first Subscription for the Circulation was taken, that is to say in 1710, the Bank had clinched another link with government by agreeing to receive the subscriptions for the Lottery of that year.[1] This was not the first state lottery, and very far from the last, but it was the first for ten years and the first for which the Bank acted as receiving agent. Mercers' Hall was borrowed for the work, as it had been to receive the original subscriptions in 1694, and again "a great crowd" of people came to try their luck. Three Bank officials were appointed as receivers by the Lord Treasurer.[2] That was in January.

Later in the year came another and very different Bank contact with the state, a contact which roused again all the Tory suspicion and dislike of the Whiggish "pursemen" who directed it. Queen Anne, in the days of Dr Sacheverell's High Church popularity—Harley intriguing in the background—was disposed to strengthen the Tory element in her cabinet. In March the London mob, that liked violence and loot and was at once brutally for No Popery and for No Dissent, had gone Tory and High Church, if the phrase be admitted; had burnt dissenting chapels; and had threatened to storm the Bank itself, full as it supposed of gold and Whiggery. The Bank had been protected, perhaps saved, by some squadrons of the Horse Guards who rode down from St James's and scattered the rioters.[3] Its Directors became apprehensive about political movements and changes that might release brute passion and endanger the delicate plant of credit. There is no need to assume any marked party bias, Whigs of one sort or another though most of them were; but there was the bankers' natural bias towards stability.

In April the Queen had changed her Lord Chamberlain. In June it began to be said that Sunderland, Marlborough's son-in-

[1] Grellier, p. 16; Acres, I, 105; Richards, *The First Fifty Years*, p. 243.

[2] Madockes, Odams, Stubbs: *C.B. F*, 16 Jan. 1710.

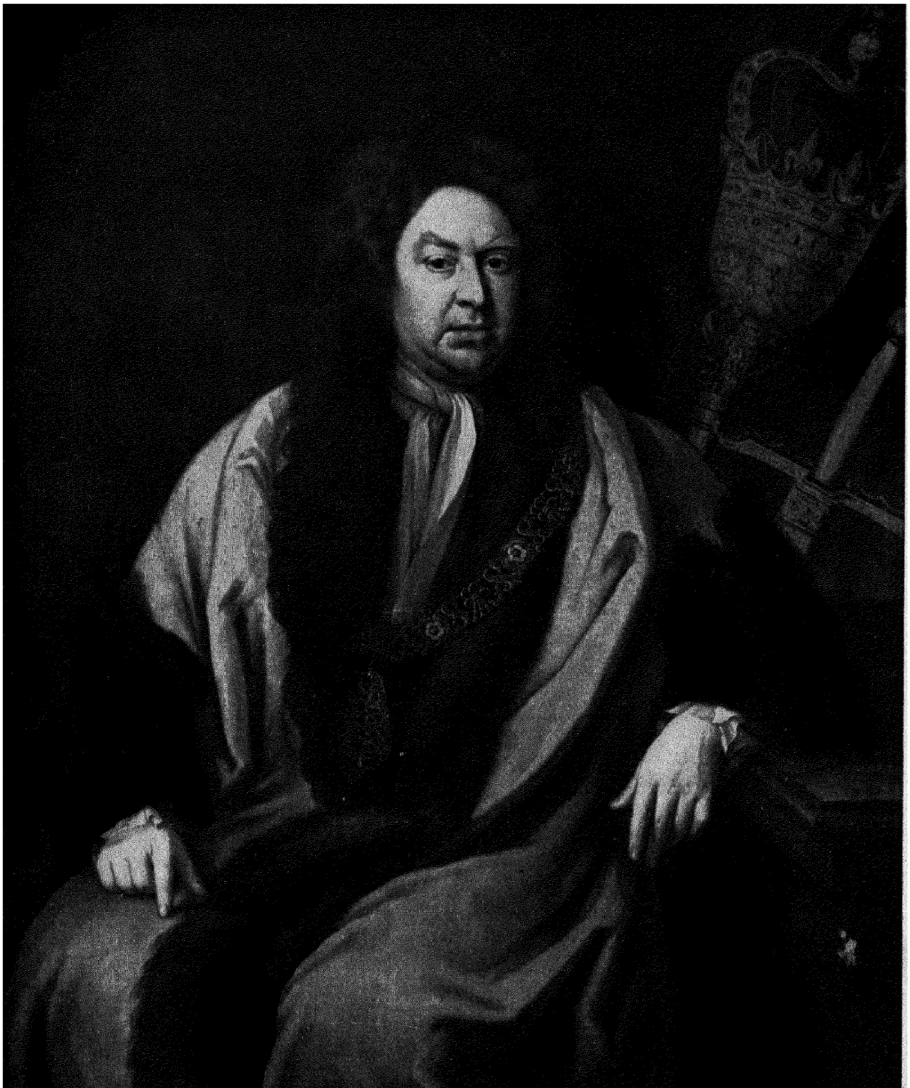
[3] Trevelyan, III, 69–70.

law and a Secretary of State, was in danger. It was then that "the Gentlemen of the Bank" intervened. A group of Directors, headed by Sir Gilbert Heathcote the Governor, secured audiences with the Dukes of Devonshire and Newcastle, and then with the Queen herself. According to Harley, Heathcote used "very strong and earnest terms" to the Dukes but "thought fit to alter his speech" when he saw the Queen.[1] That is likely enough, though Harley is a bad witness. The tenor of Heathcote's representations was the same in both cases—that certain, or too many, changes in the government might shake public credit dangerously by reducing confidence in the Hanoverian Protestant succession, and so weaken the Bank's ability to make advances. His action was probably a tactical error. The Queen had her stubborn pride and there were people about her ready to stiffen it against "monied impertinence". In any case it did not help Sunderland, who was dismissed on 13–14 June. And Godolphin the Treasurer followed him in August.[2]

The Directors had been briskly attacked by a now confident Tory press. Whether they were much influenced by such attacks is hard to say: they were at least well accustomed to them. One broadsheet—as it might be an evening paper—came out headed "The B—K of Englands Most Loyal Address to HER M—Y." "We", it ran, "Your M—y's most Audatious, Imperious, Directing and Commanding Subjects" tell Your Majesty that if you "should turn out the Low-Church Party these peaceful and moderate Gentlemen" then "our zealous brethren will be true to their own Interest...and will draw their Stock out of the B—k of England, and then it will be shut up as the Exchequer was in King Charles the Second's time; and...what will be the con-

[1] Harley to Moore, 19 June: *H.M.C. Portland*, IV, 545.

[2] The episode is referred to in Trevelyan, III, 64; Winston Churchill, *Marlborough*, II, 287–8; Feiling, *History of the Tory Party*, 1640–1714, p. 419. The latest discussion is by C. Buck and G. Davies, "Letters on Godolphin's dismissal in 1710", in *Huntington Library Quarterly*, 1940.



SIR GILBERT HEATHCOTE *an original Director*

Governor 1709–1711 and 1723–1725

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sequence of that you may very easily guess." To this Queen Anne was made to reply haughtily that "she had a greater Regard to the publick Credit...than any of her Subjects" and "designed to have those about her that she could confide in". Exactly what she said is not known. It would appear that she was conciliatory. But she moved her ministers as she pleased; and in the High Church and Tory fervour of 1710 even the City supported her by returning four Tories.[1]

Fresh from this victory, the Tory party tried to capture the directorates of the East India Company and of the Bank, at the April elections of 1711. On 19 March "Henry Sacheverell of London Doctor of Divinity" bought £500 Bank stock,[2] the minimum holding that would give him a vote. There was a great beat up of proprietors for the election, first of the Governor and Deputy-Governor and then of the Directors. Daily from 9.0 to 6.0 votes were recorded as usual. But there had never been such voting and never was again. In 1710 there had been 371 votes cast for the Governor and 368 for the Deputy. In 1719 there would be 95 for each, and 68 in 1721. Now, in 1711, Nathaniel Gould, the outgoing Deputy, got 975 votes for the governorship and John Rudge the new Deputy got 955.[3] Both were old Bank men: Gould had first joined the Court in 1697, Rudge in 1699.

This was a preliminary success for continuity and the Whigs, whatever the exact shade of Gould's or Rudge's politics. It was followed up at the election of the Directors, when—so it is said—Dr Sacheverell "to his great mortification" was "hissed at in the Bank".[4] Voting was normally heavier on this day than on that of the election of Governors, and now it was extraordinary. It is

[1] The broadsheet is now in the possession of the Bank. Dr W. A. Shaw believed that Harley wrote it. The most plausible account of the Queen's reply is in Boyer, *History of the Reign of Queen Anne* (1711), p. 233, quoted in Buck and Davies, *Hunt. Lib. Quart.*

[2] *Bank Stock Ledger*, folio H 4187. He sold to a linendraper in Dec. 1714.

[3] *G.C.B. II*, f. 86. For 1710, 1719 and 1721 see f. 70, f. 149 and f. 179.

[4] Trevelyan, III, 104. The hissing story is told by a schoolboy.

probable that there were some 3000 people qualified to vote; but it is very doubtful whether, owing to distance, ill-health of proprietors, and what not, so many as 2000 votes could possibly have been recorded.[1] Yet nine candidates each got more than 1400, the highest nearly 1500. Of these nine, six were members of the 1710 Court and one, Gerard Conyers, was an old Bank hand returning to the Court. Altogether fifteen of the old Court came back—under the by-laws not more than sixteen could come—and of the remaining nine, four besides Conyers were old hands, Thomas Scawen, John Ward Jr., John Smith and Sir Gilbert Heathcote himself. Scawen and Ward were not merely old hands but relatives of old hands. The City may have gone Tory, and some of the Directors with it, but the crowds of proprietors voted for the men they knew.

These men very wisely gave continuous financial support to ministers, new as well as old. That was the easier because though ministers might change Mr Lowndes was always there. Credit was not much shaken after all. The dividend improved a little from 1710–11, and the last Bank Act of the war years, passed when the Tory peace was nearly complete, was the one that gave the Bank an extra £8000 for keeping Exchequer Bills "Specie", and extended its Charter to 1742–3.[2]

Whatever their political leanings, bankers welcomed peace. When it was signed at Utrecht, in April, Bank stock prices rose, though at first not fast or far. When the Queen died sixteen months later, the Hanoverian succession was carried through so smoothly that prices hardly shifted, though a premature, and deliberately staged, report of her death in January 1714 had upset markets seriously. Even in 1715, when rebels were out in Scotland and the North, the lowest price touched (115) was well above the

[1] The lists of proprietors qualified to vote for 1710 and 1711 are missing from the Bank's file. In 1709 there had been 2119. In 1712, after the doubling of the stock, there were 3284.

[2] See p. 67 above.

minima of the years 1710–12. After that prices soared to the highest point yet known, 161¾ on 8 March 1718. From 1712 to 1718, inclusive, there were six dividends of 8 per cent and one, that of 1715, of 7¾, a very steady record.[1]

In the Ways and Means Act of the first year of the reign of the King from Hanover (1 Geo. I, stat. 2, c. 12) the Bank's legal position, as established in the later years of Queen Anne, was confirmed; its special annuities of £45,000 and £8000 for circulating Exchequer Bills "as Specie" were continued; and new arrangements were made about the current Bills. As an institution the Exchequer Bill was now a permanent thing, only the amount current at any one time, the amount to be taken by the Bank, and the terms of issue, being variable. More important than these consolidating clauses in the Act were those which decided that the subscriptions for a new issue of 5 per cent annuities should be received at the Bank. This was a novelty: hitherto subscriptions to loans had been received at the Exchequer. Subscriptions, the Act ran, were to be paid "to the first or chief cashier of the Governor and Company of the Bank of England". The Bank was to keep the appropriate books, pay dividends, and register transfers. There was a fee payable to it for taking the subscriptions and an annual grant to its chief cashier and chief accountant who would do the recurring work. The cashier who thus became almost a state official was the experienced Thomas Madockes, who held that office from 1699 to 1739; the accountant was Thomas Mercer, whose tenure ended in 1717. The Court of Directors showed no intention of letting Madockes and Mercer become servants of two masters. It informed them that the allowances "are at all times to be in the disposal of the said Court, To which they both assented".[2]

[1] The dividends to 1720 are given in Scott, III, 245. From 1720 dividends are quoted from the votes in the *G.C.B.* See Appendix B.

[2] Acres, I, 111. Tenures of officials, like those of Directors, Governors and Deputy Governors are in the Appendices to Acres, vol. II.

The rise in Bank stock down to 1718, while the dividend remained steady, registered that fall in market rates of interest on good security which was taking place as England's political stability and capital resources increased. The legal maximum rate of interest—an inheritance from anti-usury law—had been cut from 6 to 5 in 1714: at 6 it was well above market rate. In 1716–17, Walpole decided to take advantage of the situation and reduce the interest liabilities of the state. The money saved was to form a sinking fund to pay off capital. Three successive Acts dealt, one with debt in the hands of the public, one with the debt to the Bank, and one with the young South Sea Company—like the Bank a creditor of the state. The bills passed just after Walpole left the Exchequer, but the policy was his.[1]

By the second Act (3 Geo. I, c. 8) rates payable to the Bank were readjusted at all points except one. On the original £1,200,000, raised in 1709 to £1,600,000, it was still to get the £100,000—6 per cent and £4000 for "management". This was to stand until a year after 1 August 1742, when the Charter was due for expiry or renewal. It was in connection with the short-term debt that economies were made. An annuity on money lent in 1708 for cancelling £1,775,000 of Exchequer Bills was cut from a 6 to a 5 per cent basis. A further block of £2,000,000 Bills was cancelled also on a 5 per cent basis—funded for an annuity of £100,000. The balance, or potential balance, of Exchequer Bills that the government required or might require for conversion and other operations—£2,561,025—the Bank was to "circulate and exchange for money on demand" in the old "specie" way, that is, to cash them at sight for the Exchequer or any holder whom the Exchequer might have paid with them. But the special annuities of £45,000 and £8000 for performing this function were merged in a general reduced annuity of £76,830. 15*s*. 0*d*.,

[1] It was outlined in March. Walpole left office on 12 April 1717. The Bank bill passed the Commons on 6 June, *Parl. Hist.* VII, 454 *sqq*., 470. For negotiations with the Bank, *G.C.B. II*, 15, 17, 28 May and 6 June.

or 3 per cent on the £2,561,025. And the Bills were to bear interest, as from Christmas 1717, not at *2d.* a day but only at *1d.*

By later clauses in the Act, the Bank was empowered to raise money in order to carry out its obligations either by a call on its proprietors or by borrowing. If it borrowed it might exceed the legal rate of 5 per cent. It did borrow, by the Subscription for the Circulation as before. From this time the nominal rate on the Subscription was either 5 or 4, but the actual rate was made much higher by the premium invariably offered to subscribers. It was this high yield on almost perfect security that made "the Circulation" such an attractive investment for the next forty years to those who could get at it.

Yet the absolute duty to "circulate", the statutable duty, had ceased in 1719, by 5 Geo. I, c. 3. The Bank had been relieved from it in connection with a rearrangement of the annuities due for "circulating". Aislabie was at the Exchequer, the man who was expelled from the House two years later for his share in the South Sea Company business. There was probably in his mind the chance of some great coming change in the Bank's position. Exchequer Bills were to be circulated "by such persons as the Treasury shall appoint", and the Treasury might make contracts with persons willing to circulate. But since it continued to use the Bank as a contractor the working position was little changed.

When the South Sea Company accepted revised terms of interest in 1717 it was still young but very ambitious. In origin, like the Bank of England, it was part of a scheme of devices for financing war by giving concessions and privileges to companies. The Bank had lent its £1,200,000—and afterwards very much more—and had got what we know. The New East India Company had lent £2,000,000 in 1698, and more under Queen Anne, and had got a continuance of its various privileges.[1] When Harley came into power in 1711, and became Earl of Oxford, he found that war had made the state of the floating debt desperate. And

[1] Anderson, *History of Commerce*, III, 331; Scott, III, 290.

the "pursemen" of the Bank did not like him, though he got some further help from the now United East India Company.

"There happened at this time", Adam Anderson wrote,[1] "to be a very large arrear of navy, victualling, and transport debentures, and also of army debentures, etc. without any established fund for putting them into a regular course of being discharged: for this reason principally, as well as partly on account of the change in the ministry, they were at a large discount at market... if therefore a fund could be established for the regular payment of the interest of this large arrear, and at the same time plausible means could be devised to give the creditors the hope of further advantage by a new and alluring commerce," Harley "prudently thought he should attain his principal end". So he incorporated the South Sea Company. The Bank had been given real things or at least real openings. The South Sea Company was given a project of a trade and of a fishery and liberty to deal "in unwrought iron with the subjects of Spain". This trade to the South Seas, Spain, who claimed to control most of them, had not yet offered to anyone; but as England was at war with her there were hopes that some of it might be snatched.

Looked at broadly, the promised, hypothetical monopoly of dealings with the South Seas was "the bait that tempted people to consent to the funding of their share"[2] of the navy debentures and other short-term floating debt. By 1715 the capital of the new company had been blown out to £10,000,000—the various heavily depreciated short-term debts having been turned into long-term stock at their nominal value. On the security of this capital, with interest due from the state, the Company might have borrowed to carry on its business, just as the Bank, which had lent more than all its paid-up capital to government, had developed a credit business with its deposits and bills and notes. But the Company really had no business to develop. By the Treaty of Utrecht it acquired the right to send a ship to the Spanish Main

[1] III, 42–3. [2] Scott, III, 294.

every year. Its first ship, the *Royal Prince*, did not make its first voyage until 1717, or its second till 1723. The second ship was launched in 1718, and war with Spain broke out again at the close of that year. Having so little else to do with its "fund of credit", the Company was tempted to gamble with it.[1]

The Bank had been in a difficult position when the South Sea scheme was set afloat. Its efforts to retain a ministry favourable to itself had failed; and although the attempt to capture it for the Tory party had failed also, with Harley in power caution had been necessary. When the South Sea bill was before Parliament in 1711 the Directors advised the General Court not to petition against it; though they managed to secure a few alterations in it privately.[2] Two prominent Bank personalities—Janssen and Bateman—were interested in the new project. At Janssen's request the Bank supplied the Company with Exchequer Bills in 1712 and, at the request of Bateman and others, it made a loan of £25,000 in 1713.[3] Peace, the Whig Hanoverian succession, and the Jacobite failure of 1715 cleared the political sky for the Bank. For a time its business relations with the South Sea men became very close: it lent money freely both to the Company and the holders of its scrip, and it permitted an overdraft. In July 1717 the Court appointed a committee to "treat with them for keeping their cash"; and by August agreement had been reached. The Bank was to "receive the weekly payments of" the Company's fund at the Exchequer, and in return was to grant the Company an overdraft at any time up to £100,000 and at 4 per cent.[4]

In 1718 relations were less happy. The Company pressed for more loans and overdrafts. The Committee of Treasury was left

[1] Facts about the Company are from Anderson, who for forty years was a clerk in South Sea House.

[2] *G.C.B. II*, 20 May 1711.

[3] *C.B. F*, ff. 224, 254.

[4] *C.B. G*, which covers the period from April 1713 to July 1718, is full of the dealings with the Company here summarized. The quotations are from the minutes of 18 July and 2 Aug.

to use its discretion as to amounts and terms.[1] Just before Christmas the £100,000 overdraft was renewed, but on strict terms as to repayment. That was natural, for the Company already owed the Bank £130,000. One of the conditions of the overdraft was that this debt should be cleared off on or before 20 March 1719.[2]

Early in the year 1719 there was a certain amount of political anxiety—scares of invasion from Spain and even a small hostile landing in the North-West Highlands—but throughout it Bank stock, which had touched its peak of 161¾ in 1718, and South Sea stock, now regularly above par, remained fairly steady, with a tendency for Bank stock to fall and the Company stock to rise.[3] The main cause for the fall seems to have been a curious and not fully explicable action of the Bank in July. Besides paying a half-yearly dividend of 3½, that brought the year's total to 7½ instead of the previous 8, it paid a bonus of 10 per cent out of capital. But neither the nominal amount of stock (£5,559,995. 14*s.* 8*d.*) nor the sum credited as paid up (£100) was modified; and the bonus sum of over half a million was eventually replaced from premiums on the issue of new stock, half in 1722 but the other half only so late as 1744.[4] When it voted this generous bonus the Bank may conceivably have been putting its proprietors in good heart for a struggle which it foresaw, or it may have been caught by the first ripple of that flood of optimism and speculation which, spreading from France, drowned the country in the next year.[5] Or it may have been asserting its strength in order to put up its price in a coming bargain. By the autumn the South Sea directors

[1] *C.B. H*, 14 Aug. 1718. [2] *C.B. H*, 11 Dec. 1718.

[3] The prices of Bank and South Sea Stock are summarized in Scott, III, 244–5, 360.

[4] *History of the Early Years of the Funded Debt*, p. 71, and discussion in Scott, III, 237.

[5] It has not seemed necessary to discuss here the important and interesting connection between the "Mississippi scheme" and the "South Sea Bubble", because its relation to the history of the Bank is, at most, indirect.

were planning great and daring ventures.[1] Their first scheme was an amalgamation of Company and Bank, and there may have been early knowledge of this in the Bank Parlour. In November and December people in the know were buying both stocks for a rise: Bank stock rose by 9¼ and South Sea stock by 10½ in the two months.[2]

And so the year 1720 opened, the year in which the highest price of South Sea stock was 1050, the lowest 124; the highest of Bank stock 265 and the lowest 130. Already in February 1719 the Commons had agreed to save money by allowing the Company to convert an expensive Lottery Loan of 1710 into South Sea stock, on terms very favourable to the Treasury. In November, the Directors of the Company had put forward, but privately, their most ambitious scheme for converting what amounted to the whole National Debt, including the various loans made by the East India Company and the Bank. This would have involved an amalgamation not merely of Company and Bank but of all three.[3] The opposition of the two older societies had been stiff enough to defeat the proposal; but the Company was ready, at the opening of 1720, to undertake the conversion of all the debt except that owed to the other two—and to pay for the privilege of doing it. Concisely put, it would give £3,000,000 for the privilege of converting £31,000,000 of debt from a 5 to a 4 per cent basis. Its argument for parliamentary consumption was that the 1 per cent, saved and paid into the sinking fund, would wipe out the whole debt in twenty-five years.

Then the Bank, caught by the infection, began to bid against the Company. It offered more millions and an earlier date for the reduction of interest to 4 per cent. The rival bidders were

[1] Scott, III, 300. Scott's account of the South Sea Company finance (III, 288–360) is incomparably the best.

[2] Scott, III, 238.

[3] This sort of overseas trade and banking combine was exactly what Law had aimed at in France. The contemporary account is in Anderson, III, 93; the modern—with use of all the pamphlet literature—in Scott, III, 304.

asked to amend their offers and did so. The Bank's amended scheme contained some excellent features; but it was not accepted and so need not be examined here.[1] By 6 Geo. I, c. 4, the Company's scheme became law. The price of its stock was rushing up. There were all kinds of trading hopes, and hopes of the advantage that would result from the close association with the state. But a main cause of the rise was simpler. By an astonishing parliamentary oversight, or criminal omission, the amount of South Sea stock to be given in exchange for the various loans to be converted was not fixed; so the higher the stock stood above par the less the Company might hope to offer. In April, newly issued stock, then standing round about 300, was being offered to old holders of loans, in part payment together with bonds and cash, at 375. As it was soon quoted at 400 they were for a time content.

With most of the madness and fraud of 1720 the Bank, fortunately for its good name, had little concern. It stood apart "like the Capitol of old Rome",[2] as a flattering contemporary put it, while the Company paid out a million and a quarter in bribes to public men; while it issued stock before it was legally issuable to get the premiums to pay the bribes; while directors bought options on the midsummer's dividend five months ahead; and while eighty to a hundred "bubble" companies were projected, ranging in quality from insurance societies with a survival value to that notorious subscription "for an undertaking which shall in due time be revealed".[3]

One grave mistake the Bank made that helped to keep up the temperature of Change Alley. In April the South Sea Company began to lend on the security of its own scrip. (The Bank had lent on this in less excited times.)[4] In May, abandoning an old safe policy, the Bank declared itself ready to lend on its own stock,

[1] It is summarized in Scott, III, 306.

[2] *Considerations on the Present State of the Nation, etc.* p. 17, quoted in Scott, III, 240.

[3] From the often-quoted list in Anderson, III, 111.

[4] Above, p. 8.

an offer which it only withdrew in the cooler air of October.[1] Its stock stood at the time of the May vote at about 200: by 24 June it was at 265, partly as a result of the vote. In the same period South Sea Stock rose from about 440 to 1050. Bank stock was at least a good deal less volatile than that, in spite of the blunder about the loans.

To the general public, with no knowledge of the corrupt transactions going on behind the scenes, the first storm signal came on 18 August when the Company, most unwisely, challenged some of the "bubbles"—which, being unincorporated, were technically illegal—by issuing against them writs of *scire facias*.[2] Required to justify their existence, they were deflated. So was the Company. By 8 September its stock was at 670 and on the nineteenth at 380.

At that time it was in negotiation with the Bank. Committees had met and on 22 September a General Court had authorized the Directors to make such terms as they thought would "tend to the benefit of the Corporation".[3] But the terms arranged by the negotiating committees on 23 September were already out of date. To help the Company, the Bank was to accept its stock in exchange for £3,775,000 "or thereabout" of redeemable government securities in the Bank's possession. The Company was to get the attached annuity as from Michaelmas. The stock was to be taken at 400.[4] But the price had already got below that, and the very next day, when the Court gave its general approval of these terms *nemine contradicente*, the Sword Blade Company, with which the South Sea had been banking, stopped payment. "Sword Blade Compa. don't pay" is the marginal summary in the Court

[1] *C.B. H*, 5 May, 6 Oct. 1720.

[2] At law only the Crown could create a body corporate and only Parliament give exceptional privileges to one. But since William's reign people had formed companies without such authorization and many of these had carried on business unchallenged: Scott, I, ch. XXI; III, 324.

[3] *G.C.B. II*, f. 174.

[4] *C.B. H*, 24 Sept. 1720: vote approving the action of the committee.

Book of the Bank.[1] The South Sea had latterly preferred the Sword Blade to the Bank of England, though it had not closed its account in Threadneedle Street.

The Bank was in an ugly position. It was engaged in "taking a subscription for the support of the public credit".[2] It had been refusing goldsmiths' notes for this unless they were indorsed, and now it had to cast out Sword Blade notes also.[3] On 27 September it was arranging to draw on two Dutch firms "for the support of the Exchange".[4] By the end of the month it had stopped discounting altogether; was calling up 25 per cent of the loans injudiciously made on its own stock, and begging debtors to return the remainder; was demanding back loans made to the East India Company and other corporations; was trying to buy gold and silver; and was offering clients interest-bearing notes in exchange for ordinary notes.[5]

The agreement of 23–4 September was never carried out. The negotiating committee appears to have regarded the vote of 24 September as an authority, not an instruction. That would not be out of keeping with the way business was generally managed. All through October the thing hung fire, but the Bank was lending some of the money raised by the "public credit" subscription to the Company through the negotiating committee. By 10 November it had advanced £300,000. Time was lost, or spent, by the Bank's committee in consulting counsel. They were advised that it would be safest to get parliamentary sanction for any such agreement. Finally, but not till early in November, the Governor acquainted the Deputy-Governor of

[1] *C.B. H*, 24 Sept. 1720. There is a story of a run on the Bank on 24 Sept., but there is no evidence that it was serious. The Bank had resented the favour shown to the Sword Blade Company. Sir Gilbert Heathcote is said to have remarked that "if the South Sea Company be wedded to the Bank, it ought not to be allowed to keep a mistress"; Scott, III, 327.

[2] See below, p. 89.

[3] "Their Notes as Deposits on Subscriptions to be void" is the marginal entry.

[4] *C.B. H*, 27 Sept. 1720.

[5] *C.B. H*, 29 and 30 Sept.: a whole series of votes.

the South Sea that his committee "did not think fit for the present to proceed further in that matter".[1]

In its later distress, the South Sea naturally thought that it had been betrayed. "I was thoroughly satisfied that this...was a legal and firm bargain" the wretched Aislabie told his judges in the Lords.[2] No doubt the Bank drew back rather unhandsomely, though there is nothing to support Aislabie's suggestion of illegality. But it saw the Company going from bad to worse; probably there was much exact knowledge in the Bank Parlour of things which afterwards came to light; and if it had not drawn back the ultimate public catastrophe would have been far greater. In his final communication, read to the Deputy-Governor of the South Sea on 9 November—this must have been a trying interview—the Governor of the Bank said that his committee desired of the South Sea "some account of their estate for the satisfaction of their Principals".[3] It was a bitter thrust but not unfair. The Company had always been dishonourably reticent about "its estate".

South Sea stock had been at 200 before the end of September. Bank stock touched bottom on 14 October at 130. That however was only nine points below an April quotation before the bubbles had been blown out. The Bank's credit was standing up well and discounting had been resumed. The strain of the failures since late September had been met. By November and December prices of Bank stock were moving up, those of Company stock plunging down. The Company was both making fresh issues and selling stock pawned with it as security for loans. By 24 December the price touched 124, the year's lowest. Yet 124 is well above par.[4]

Parliament had just met. Recrimination and inquiry had begun.

[1] *C.B. H*, 10 Nov. 1720. [2] Scott, III, 241, n. 1.

[3] *C.B. H*, 17 Nov. 1720: the Governor's report to the Court.

[4] It is often forgotten that the South Sea Company, and early investors in it, came through so comfortably: King's College, Cambridge, bought £1950 of South Sea stock between 1716 and 1719 and did very well out of it. It did less well with a switch from Bank stock into South Sea at 765 in 1720. Information supplied by the Librarian, Mr John Saltmarsh.

The General Court of the Bank also met, on 23 December, and approved a fresh scheme that had been in the making since late November. Nine millions of South Sea stock, with an attached Exchequer annuity at 5 per cent, were to be "ingrafted into the capital stock of the Bank of England"[1]—South Sea proprietors to get £100 Bank stock for each 120 of their own. This, which about represents the December prices, was a long cry from South Sea stock at 400.

But neither was this plan carried out, although Parliament sanctioned it provisionally in 1721. After a year's further negotiation between the two Companies the nine millions "ingraftment" was dropped. The South Sea Company only wanted to sell so much stock, with its share of annuity, as would "answer the Discharge" of its debts.[2] There were differences of opinion as to how much stock ought to go with the £200,000 of annuity which it was ready to forgo; but in the end the figure was fixed at four millions.[3] This transfer was authorized by Act of Parliament in 1722 (8 Geo. I, c. 21). To effect it the Bank increased its nominal capital by £3,400,000, which issued at £118 brought in £4,012,000. As it was taking over government debt and government annuity, this operation raised the total sum owed it by the state to £9,375,027. 17*s.* 10½*d.* Of this the old £1,600,000 was still to draw 6 per cent (and £4000 for management) until 1742; the rest 5 per cent (and a sum of £1898. 3*s.* 5½*d.* for management taken over from the Company) until Midsummer 1727; and after that 4 per cent.[4]

[1] *G.C.B. II*, 23 Dec. 1720. The scheme went through the Court nearly a month earlier: *C.B. H*, 28 Nov. 1720: an approval provided the terms are "reasonable".

[2] *G.C.B. II*, 29 Jan. 1722.

[3] Stages of the negotiation are reported in *G.C.B. II*, 7 Feb. and 20 June 1722.

[4] *Early Years of the Funded Debt*, pp. 70–2. It was from the premiums on the new stock that the Bank repaid to capital half the bonus of 1719 referred to on p. 82 above.

The Company remained, in outward form at least, an imposing structure. Released by Walpole's good sense from some of the obligations into which it had foolishly entered, it was still entitled to large annuities from the state. Its stock—nominally upwards of £33,000,000—was split into annuity stock and trading stock; but its trade dwindled away, and it turned gradually into a mere handler of annuities, but a very long-lived one.

The settlement over capital made with the Bank in June 1722 did not complete the adjustments between it and the Company. Some outstanding differences were referred to arbitration, the arbitrators being Lord Chancellor Macclesfield, Lord Carleton the President of the Council, and the man into whose coarse but capable hands the washing or folding up of the nation's dirty financial linen had fallen, Robert Walpole. His desire to wash the minimum of it in public had earned him the nickname of "the screen"; but it was felt that he had financial ability and honesty enough to do what was essential.

The differences that went to arbitration arose out of the attempts that had been made, nominally by the two corporations but really by the Bank alone, to "support the public credit" in September 1720, when it had most needed support.[1] The Bank had agreed to take a subscription in the familiar way, with a deposit of 15 and a premium of 3 per cent, and with it "to issue Sealed Bills at *2d.* per diem to circulate South Sea Bonds"—an application to those bonds of the Exchequer Bill technique.[2] The Bank claimed that the cost of this subscription, the deposit on which came to £342,180, was to have been borne by the Company. It had to be repaid in a year, like the Exchequer Bill subscriptions; and the premium alone came to £68,436, besides interest. In October 1720 the Directors of the Bank had been empowered to accommodate the Company up to £100,000; but when the

[1] See p. 86 above.

[2] *C.B. I*, 8 Oct. 1722: "Report of the Committee who went to the Arbitrators." The Bills were the "Circulation Notes" referred to in p. 68, n. 2, above.

Company had said that it would want £2,191,000 more by March 1721, the Bank had replied that "no certain dependence would be made of raising Money on South Sea Bonds". Evidently it thought its subscribers would not stand calls beyond their 15 per cent. The Company had nothing else to give and the Bank "durst not venture" beyond the £342,180 of the deposit. It offered this to the Company, and by mid-November, as has been seen, had advanced £300,000: the balance was not claimed.

The Company, which had pledged £360,000 of its bonds, had never offered to repay and the Bank had not pressed it because, so it said, it was "unwilling to increase the animosities" of 1721.[1]

Those were the main points of the Bank's case. The arbitrators simply split the difference as arbitrators will. Walpole was nursing the Company back into a sort of health and apparently thought that the Bank could afford to help. "The Charge on the Subscription for the Support of Public Credit" was to be cut in two The Company was to "make satisfaction to the Bank...for one half and no more".[2] The subscribers, who presumably were Bank men, had not done too badly. Their premium, reckoned on the nominal amount of their subscription, was an exceedingly handsome return on their deposit. So perhaps rough justice was done.

As groups, Bank men and Company men kept well apart during the troubles, with one important exception—Sir Theodore Janssen. Sir James Bateman, who with Janssen had acted as a link with the Bank in the Company's early days, had left the Bank in 1711, served as Sub-Governor of the Company, and died in 1718. But Janssen, an original Director of the Bank and a Director from 1707 to 1711, served again in 1718–19 and may be presumed to have been once more acting as a link at that time. He was one of those South Sea men whose estates Parliament impounded to compensate the public. It was a fine estate, of

[1] Quotations from the "Report of the Committee...", as above.

[2] From the award in *C.B. I*, 6 Sept. 1722.

£243,244. But he was allowed to keep £50,000 of it, because inquiry had not connected his name with any of the worst scandals. On his £50,000 he lived to a great age, dying only in 1748. He was more fortunate than one colleague, who was allowed to keep only £31 out of £400,031, or than another who committed suicide in fear of the inquiry.[1]

It was at this time, in 1722, while Walpole was in constant touch with the Bank directorate, that his brother-in-law Horatio Townshend joined the Court. Nothing is known of the circumstances; nor do we know whether his election as Governor for 1733–5 was an appointment in the ordinary rotation or an act of deference to a powerful prime minister. Townshend left the Court in 1736 for a post in the excise and so had shorter service than most Governors both before and after passing the Chair.[2]

During Walpole's peaceful years the relations between the government and the Bank were smooth and easy, just because the years were peaceful and because Walpole aimed at the reduction of national liabilities. His sinking fund did not do all that had been expected of it. After 1733 he sometimes, in modern political slang, raided the fund to meet emergencies; but he did leave the burden of the debt less by one-seventh than he found it, and that at a time when the country was growing richer every year.

In 1727 the 5 per cent annuities issued in 1710 and 1717, which the Bank had taken in place of cancelled Exchequer Bills—a funding operation—had their interest cut to 4, as arranged in 1722; and the interest on the four millions of debt which the Bank had taken over from the Company dropped with it. This reduced the £490,649. 11*s.* 3*d.* which the Bank had received annually from the Exchequer since 1722 to £412,899. 5*s.* 8*d.*[3]

[1] Scott, III, 344–6. The *D.N.B.* for Janssen.

[2] I am indebted to Dr J. H. Plumb of King's for assistance in following out the careers of Townshend and Bateman.

[3] *Early Years of the Funded Debt*, p. 72.

During the next ten years the statutory relations between the Exchequer and the Bank were concerned entirely with the floating debt of Exchequer Bills. The sinking fund was used to pay off large blocks of the older Bills of the 1708–10 and the 1717 issues; and although new Bills were authorized by Acts of 1728 and 1729, the rate of interest was now never above 4 per cent and often down to 3½ or 3.[1] By 1738, apart from this economy in interest, the gross amount of Bills paid off exceeded that of new Bills authorized during the decade. Walpole was doing his chosen work well.

Apart from the Acts of Parliament authorizing the issue of the Bills, and the formal contracts made by the Bank with the Exchequer, to issue so and so many, there were—as there always had been—votes sanctioning advances made on the security of the revenue, to government as a whole or to particular departments. During the years 1723 to 1727, for example, of forty-four votes under the heading "loans", there are five to the Paymaster-General of the Forces, one to the Treasurer of the Navy, and nine others to the Lords of the Treasury on the security of the Land Tax, the Lotteries, the Malt Tax, and so on.[2] The more peaceful a year is the less is heard of the Forces or the Navy; but the Treasury regularly gets its necessary advances on the security of Land or Malt or Salt duties.

Dealings with the state were eased and sweetened all through the Walpole period, and long after it, by a pretty habit the Bank had of making a New Year's gift to the Officers of the Exchequer. We do not know how many of them shared in the three hundred and forty-three or three hundred and forty guineas, first voted early in the century and continued "as usual" down to the

[1] E.g. *C.B. M*, 8 Aug. 1732: agreement to "circulate" up to £2,500,000 of Bills "for another year" at 3 per cent. The Acts of 1728 and 1729 (1 Geo. II, c. 8, and 2 Geo. II, c. 3) authorized 4 per cent; but Walpole could renew on better terms.

[2] *C.B. K*, Index, under "Loans".

sixties—and later. Presumably seniority had its claims. Even if there were several seniors they must have learnt to anticipate the vote with satisfaction.[1]

Although Walpole lightened the financial burden of the nation to its very great advantage, he did not satisfy the stricter economists of the thirties. Their leader was Sir John Barnard, Lord Mayor of London, Member of Parliament, author, financier and father of the Act of 1733, usually named after him, which forbade all "putts or refusals in any public or joint stock", with intent to cripple "stock-jobbing".[2] In 1737 he laid before the House the whole problem of reducing interest on the national debt and made special reference to the expiry of the Bank Charter, due in five years. Interest rates ruled very low from 1735 to 1738, 3 per cent funds once touching 107; but Bank stock's lowest was 135. Barnard therefore wished to see the public debt to the Bank put on a 3 per cent basis "before we come to any agreement about granting them a new term".[3] He pointed out that investors fully appreciated the terminable nature of the Bank's privileges, for "Bank stock does now sell and ought to sell at a lower price than [the much longer dated] South Sea annuities". In Change Alley, while 3 per cent funds were above par Bank stock at the prices ruling in 1737 brought in about 3¾.[4] In Holland 3 was a maximum rate: often money there yielded only 2 per cent. As the Bank divided up to 5½ and more, there were profits to be cut at; and an extension of the Charter by increasing proprietors' security would automatically justify a reduction of their incomes. Low rates of interest were of the utmost advantage to commerce, and

[1] It is not necessary to give all the references to the annual votes of which *C.B. L*, 30 Dec. 1731, is a sample. The sum there is 340 guineas. The practice continued until 1797, when Pitt stopped it.

[2] Duguid, C., *The Story of the Stock Exchange* (1901), p. 48. The *D.N.B.*

[3] *Parl. Hist.* x, 62 sqq. reports the debate.

[4] The maximum and minimum prices in 1737 were 151 and 142: the dividend was 5½. It had been 6 from 1721 to 1727; 5½ in 1728 and 1729; 5¾ from 1730 to 1732; and it was 5½ from 1733 to 1746. See App. B.

there was no need to pay attention to the argument that a reduction would drive fund-holders away from London to cheaper places, and so ruin the shops. It was an able speech, but as it produced no immediate effect on Parliament Sir John published it, in folio, as *Reasons for the Representatives of the People of England to take advantage of the Present Rate of Interest for the more Speedy Lessening of the National Debt.*

War had come again and Walpole had just gone when Parliament bargained over the renewal of the Charter, early in 1742. The 3 per cents were not so high as they had been in 1737, but they were still hovering about par: it was only in 1745 that they dropped below 90, to hang about 75 between December of that year when the rebels came South and April 1746 when Culloden was fought. It was natural therefore, in 1742, for government negotiators to aim at Barnard's 3 per cent basis in any new contract with the Bank. Samuel Sandys, first Baron Sandys, an old enemy of Walpole, came to the Exchequer on February 12;[1] but there is no evidence that he took an important part in negotiations which may have already begun. The parliamentary records of how their result was embodied in the Bill which became 15 Geo. II, c. 13, are formal and scanty; and so are the minutes of the Bank. Apparently the negotiation was simple and the extension of the Charter taken for granted.[2]

There is a vote of Court of 5 March 1742, slightly modified by a further vote of 9 March.[3] On the tenth the Governor told a specially convened General Court "that it having been intimated to Mr Governor and such of the Directors who are of the Committee for the Treasury" that "it might now be thought a proper time" to settle the matter, there had been "divers Conferences"

[1] For ministerial changes we now have the very useful *Handbook of British Chronology* (1939), edited by Powicke, Johnson and Harte for the Royal Hist. Soc.

[2] There is no debate reported in the *Parl. Hist.* and the *J.H.C.* is formal.

[3] *C.B. O*, 5 and 9 March 1742.

with the Lords of the Treasury. He explained "the substance of what passed", but his explanation was not minuted. The proprietors then agreed unanimously to the vote as drafted by the Court. It was that, in return for a twenty-one years' extension of the Charter and a confirmation of all its privileges, the Bank would advance £1,200,000 free of interest in return for its original annuity of £100,000.[1] The £100,000 represented 6 per cent on £1,600,000 and £4000 for management. The new offer meant 3·4 per cent on £2,800,000.

But the Lords of the Treasury stood out for a 3 per cent basis; and by 18 March the General Court had bowed to their wishes. The Bank was to advance not another £1,200,000 but £1,600,000 in return for its £100,000,[2] so getting exactly 3 per cent on the total of £3,200,000, plus the £4000. The Act approving this (15 Geo. II, c. 13) was not called a Bank Charter Act but merely one "for establishing an Agreement with the Governor and Company of the Bank of England for advancing the sum of One million six hundred thousand pounds towards the Supply for the Service of the Year" 1742. No one seems to have paid much attention to it. No pamphlets discussed the terms and *The Gentleman's Magazine*, which was at that time in the habit of reporting what it called the debates in the senate of Great Lilliput, never even mentioned it. If the men whom the *Magazine* disguised imperfectly as Sir Rub. Walelop and "the Hurgolet" Branard spoke on the Bill, the editor thought his readers would not be interested in what they said. A "Hurgo" was a Lord in *Magazine* Lilliputian slang, so presumably the "little Lord" Branard is Sir John Barnard. Probably he did not speak: he had no need to criticize a Bill which came so near to his own programme.

[1] *G.C.B. III*, 10 March 1742.

[2] *G.C.B. III*, 18 March 1742: "that the Court do agree to advance £1,600,000 instead of £1,200,000". The Bank's formal letter of acceptance is of 13 April 1742: *J.H.C.* XXIV, 180.

The Act confirmed all the Bank's privileges and left it free to add the new £1,600,000 to its capital or not as it thought fit. It decided to raise £840,004. 5*s.* 4*d.* of new capital, the odd sum being explained by its wish to fix the total nominal capital at the round figure of £9,800,000. With its dividend at 5½, and that security for the future which Barnard had discounted, it had no difficulty in asking 140 as the issue price.[1] Most of the premium was absorbed by a restoration to capital account of the outstanding half of that 10 per cent bonus from capital voted so long ago as 1719, and half restored to the account in 1722—also out of the premiums on a stock issue.[2]

The result of the financial arrangements prescribed by the Act was to fix the Bank's annuity from the Treasury at £401,898. 3*s.* 5*d.* on a sum which, although it now represented £9,800,000 of Bank stock, appeared—owing to the various manipulations of that stock—as a debt of £10,700,000 in the Treasury books. That meant a payment of almost exactly 3·75 per cent, in return for which "management" was thrown in. As 3 per cent annuities in open market were continuously below par from 1743 to 1749, often very much below; and as, after standing for a few years above par in the fifties, they never saw par again—and seldom 90—during the twenty-one years for which the Charter was extended, it can hardly be argued that the state made a bad bargain.[3] Nor did the Bank: it got its twenty-one years and its privileges at a reasonable price, although it had naturally tried for a rather better one.

During those twenty-one years there were nearly thirteen of war with their consequent strain on the national finances. But the strain proved bearable, and the interval of peace from 1748

[1] See the Act and *Early Years of the Funded Debt*, p. 73. The vote fixing the issue price is in *G.C.B. III*, 6 July 1742.

[2] See p. 86 and p. 89 above.

[3] The prices are in Sinclair, Sir John, *History of the Public Revenue*, Appendix, and Jevons, W. S., *Investigations in Currency and Finance* (ed. Foxwell, 1884).

to 1756 was well employed financially. In 1746, towards the end of a long if not very intense war, a large block of Exchequer Bills in the Bank's hands which had not been met by the duties upon which they had been charged was cancelled, in return for a 4 per cent perpetual annuity, not an expensive funding arrangement at such a time. The amount was £986,800. The Bank was authorized to increase its capital proportionately, if it so desired. It took the opportunity, and a 10 per cent call yielded £980,000.[1]

When peace was signed in April 1748, the 3 per cent funds stood at about 76. In just over a year they were nearly at par. They kept about par through 1750 and 1751. Henry Pelham, the Duke of Newcastle's brother, was at the Exchequer and had been since 1743. His political record is inglorious, but he was a good man of business and as a financier he took his opportunities. In 1750 he cut the rate of interest on certain annuities held by the Bank to 3½, with a promise of 3 to come.[2] In 1751 he grouped together a number of funds already, or about to be put, on a 3 per cent basis into the "three per cent consolidated annuities", the original Consols.[3] These remained above par until 1755, and during this peaceful interval touched the highest price in the whole history of Consols down to the eighties of the nineteenth century. The date of this record was 18 December 1752, and the price touched was 106⅞. Consols slipped below par in 1755, and below 90 in 1756, when the Seven Years' War began. But in its relations with the Bank the Treasury still had to profit by the arrangement made in 1750, which brought the last of the

[1] The Act is 19 Geo. II, c. 6. The vote agreeing to accept an annuity of £39,472 (4 per cent on £986,800) because that capital sum remains "unsatisfied (on the Duties for Licenses to sell Spirituous Liquors and Strong Waters by retail—and upon the Sinking Fund)" is in *G.C.B. III*, 20 Jan. 1746; the vote for the call is of 15 Jan.

[2] By 23 Geo II, c. 1: see *Early Years of the Funded Debt*, p. 74.

[3] By 25 Geo. II, c. 27: his chief title to fame. See the *D.N.B.* and the *Dict. Pol. Econ.* s.v. Consols.

annuities due to the Bank into line with Consols at 3 per cent as from Christmas 1757.

After that date the government debt to the Bank stood at £11,686,800; and as the total annuity due on the new basis was now only £356,502. 3*s.* 5*d.* the Bank was getting precisely 3 per cent on its aggregate loans, plus the original £4000 for "management" and the odd sum of £1898. 3*s.* 5*d.* for "management" taken over from the South Sea Company.[1] Seeing that in 1758 Consols were once below 80, and during the final years of the war, in 1761–2, below 70 for more than three months, the fighting Earl of Chatham and his war cabinet should have been grateful for arrangements with the Bank initiated by the somewhat undistinguished Henry Pelham and his advisers. Before the last drop to 3 per cent on the debt to the Bank, the government was beginning to borrow for the war at 3½; and by 1762 it was borrowing at 4.[2]

These were quiet years in the relations between Bank and Treasury, quiet not for lack of relations but because the relations had become so completely regularized and formalized. They were quiet in the internal history of the Bank because its control had become so oligarchical. And they are quiet for the historian because no minutes exist of the meetings of the governing oligarchy—the Committee of the Court for the Treasury. Very likely no minutes were kept.[3] In the general world of banking and finance, however, the later years were far from quiet. There had been rapid and experimental developments of banking in all three sections of the United Kingdom—most remarkable and most experimental in Scotland—and in 1763 there was a regular commercial crisis.[4] It was natural therefore that as 1 August 1764 drew near a renewal of the Bank's Charter should stir more public interest than it had stirred in 1742. But that was not a great deal.

[1] See p. 88 above.
[2] See Anderson, III, 332, 337.
[3] See p. 110 below.
[4] See ch. IV and ch. VII.

Among a handful of pamphlets on coinage, paper money, the national debt, and public finance, only one dealt specifically with the problems of a national bank; and that one did not mention them in its title. Its anonymous author tells us that he wrote this *Essay on Paper Circulation* early in 1762. His preface is dated November 1763, and the pamphlet 1764. He argues sensibly that the prejudice which suggests that only bankers can "procure currency to paper" springs from the old confusion of notes with mercantile bills. He thinks it was "chiefly owing to timidity, that the Legislature has allowed any interest upon Exchequer bills, or begged the assistance of the Bank to circulate them". We know well enough now, he says, that "bank notes and bankers bills are really a species of money". Bankers encourage the prejudice that they alone can "procure currency" for them, just as London brewers always maintain that only water from the Thames will make good porter. Having done their task by educating people in the use of paper money, the banks should now be told to leave issue and the resulting profits to the state. Why should private people or corporations issue when they may not coin? Why should the Bank of England's promise to pay carry more weight than Great Britain's? Let the Charter run out. Then let us found THE BANK OF THE PARLIAMENT OF GREAT BRITAIN, with branches from Bristol to Aberdeen, and nine or ten in London. (The list, and the location of several branches in "North Britain", suggest that this anonymous writer like Paterson and Law was a Scot.)[1] By this nation-wide branch system we can abolish that "arbitrary and exorbitant tax", the inland price of exchange.[2] The Bank of England, so far from being a national bank, is "indeed a national grievance". It swallows profits that the state might have and pretends that it is a public benefactor in

[1] This probability is increased if the ferment in Scottish banking during the early sixties is borne in mind: see p. 240 below.

[2] The Edinburgh-London exchange was a serious matter and apt to run much to Scotland's disadvantage when her banking was out of order.

handling three millions of the taxes—which help it to circulate its notes.

The plan is interesting and full of good notions, but the author himself felt that it was premature. If, he concludes, it is too revolutionary, at least let Parliament make the Bank pay a stiff price for its new Charter.

Whether bankers and statesmen studied the *Essay* we do not know. We can guess. The statesmen hardly even applied its alternative conclusion; for with the war rise in rates of interest the Bank's position in bargaining was strong. But George Grenville, the Chancellor of the Exchequer, thought he made a pretty good bargain in the circumstances, so Charles Jenkinson, the future Earl of Liverpool, said many years later: he was serving under Grenville at the time and helped to draft the Bill that sanctioned the bargain.[1]

On the side of the Bank all was handled by the innermost group. The General Court had ceased to matter and the records suggest that the Court of Directors did not matter much. On 21 January 1764, the Court Minutes say that the Governor (Robert Marsh) had reported to the Committee for the Treasury the conferences which he and Mr Deputy had held with the Lords of the Treasury. A complete resolution embodying the result was then passed.[2] This resolution was carried to the General Court the same day. Mr Governor mentioned his conferences and said he had a proposal which "he had reason to hope and believe would be accepted" by the House of Commons. He had it already drafted in the form in which it could go from the proprietors in General Court to the Commons. The proprietors gave the expected assent and left all the rest to the Court, that is to the Committee, that is to "the Chairs"—or so it would appear.[3]

[1] Jenkinson said this in the debate on the renewal of the Charter in 1781: *Parl. Hist.* XXII, 520. For his drafting of the Bill, *J.H.C.* XXIX, 826. And cp. p. 182 below.

[2] *C.B.* R, 21 Jan. 1764.

[3] *G.C.B. III*, 21 Jan. 1764.

The resolution passed the House on 9 February as easily as it had passed the General Court; and the Act of 1764 (4 Geo. III, c. 25), whose title again makes no reference to the Charter, contains precisely what Mr Governor had first reported to the Committee for the Treasury.[1] The Bank was to advance £1,000,000 on Exchequer Bills at 3 per cent. As 3 per cent Consols were in the eighties during 1764 that was a fairly good, but not a remarkable, bargain price for the Treasury. The Bank was also to pay £110,000 without interest. The Exchequer Bills were paid off in 1766; so this £110,000 and anything above 3 per cent that it might possibly have got by another use of the £1,000,000 for two years was what the extension of its Charter cost the Bank.[2] The landlord-statesmen of the eighteenth century, accustomed to the long lease and the fine payable on its renewal, applied this analogy automatically to the Bank's "lease" of its Charter: at the next renewal they will be found using the analogy explicitly.[3] The tenants' privileges were all extended for the twenty-one years of the lease. No one said anything about government paper money or a Bank of the Parliament of Great Britain. Having lived for two whole generations, the Bank was an institution; and the eighteenth century held the view once crystallized by a man who loved it into the motion—"that Institutions as such are worthy of our respect".[4]

By this time the Bank had become, by habit not by law, banker to the state and most of its departments. That was what made the author of that *Essay on Paper Circulation* so bitter about the taxes. A departmental chief might bank elsewhere if he pleased, and so might a provincial Receiver-General of the Land Tax or Collector of the Customs. We do sometimes hear of a department or public

[1] It is an Act "for establishing an Agreement with the Governor and Company of the Bank of England for raising certain sums of money", etc.

[2] See *Early Years of the Funded Debt*, p. 74.

[3] See p. 181 below.

[4] Moved by the late Provost of Eton, and of King's, M. R. James, in a Cambridge debating society.

institution doing this, or at least making little use of its account with the Bank, or keeping a very poor balance in it.[1] But the convenience of the central bank for central business was so obvious that the business tended to concentrate there.

The situation was similar, though less completely developed, in connection with the Funds. Since 1714, when payments of interest on a government security and transfers of the stock were first entrusted to the Bank, it had acquired control over the great mass of this business, again piecemeal and by habit, not by any general rule. By a survival from the days when the South Sea Company was fighting it for the privilege of taking over the debts of the state, an important block of annuities was handled at South Sea House. By a similar, but older, relic of the state's practice of leaning for financial support on the great companies, a few were transferable at East India House in Leadenhall Street.[2] And there was still a handful of old annuities for lives and a fair-sized block of "long annuities unsubscribed into the South Sea Company, *anno* 1720", that were managed at the Exchequer. It was characteristic of the century, and of England, that no one had yet thought of introducing uniformity into this business. But of all the regular public debt, in January 1762, almost precisely 70 per cent was transferable and its interest payable in Threadneedle Street. South Sea House was the only serious competitor in the business, East India House and the Exchequer being both in a very small way.

These are the figures as they stood at that date,[3] when the 1764 renewal of the Charter was just coming into sight:—

[1] Mainly at a later date (see p. 214 below), but no doubt also true of the sixties. There survives a notification of 1765 from a Land Tax Receiver in Devon, that he proposes to keep his cash at the Bank as his predecessor did, which illustrates the freedom and the habit: *Register*, No. I, f. 100.

[2] Under two Acts of William III and two of Anne. Like the Bank, the East India Company had an allowance for "management"; and like the Bank its loans had all been put on to a 3 per cent basis. Cp. p. 95 above.

[3] They are given in Anderson, III, 330–34.

	Principal Sum	Annual Payments
Total National Debt	£110,613,836. 8s. 0d.	£3,792,594. 3s. 4d.
Handled at the Bank	£77,265,945. 1s. 5d.	£2,682,163. 0s. 7d.
,, ,, South Sea House	£27,125,309. 13s. 11d.	£829,507. 8s. 1d.
,, ,, East India House	£4,200,000. 0s. 0d.	£127,687. 10s. 0d.
,, ,, the Exchequer	£2,022,581. 12s. 8d.	£153,236. 4s. 8d.

The ratio of the annual payment to the principal sum is high at the Exchequer (rather over 7 per cent as compared with from 3 to 3½ on the other debts) because the Exchequer was managing annuities for lives and long, but terminable, annuities with a high yield, not the consolidated funded 3 per cents or the later 3½ and 4 per cents which formed the bulk of the debt handled in Threadneedle Street, Leadenhall Street and in "the melancholy looking, handsome, brick and stone edifice where Threadneedle Street abuts upon Bishopsgate".[1]

It was only at the next renewal of the Charter, in 1781, that a Prime Minister would describe the Bank as "from long habit and usage of many years...a part of the constitution"; would say, that "at least it was to all important purposes the public exchequer"; and would explain that "all the money business of the Exchequer" was "done at the Bank, and as experience had proved, with much greater advantage to the public, than when it had formerly been done at the Exchequer".[2] Lord North, who said this, was perhaps not infallible on a point of history. There had been some slight growth of intimacy between the Exchequer and the Bank during the years from 1764 to 1781. But his account of the position of the Bank in the public life and organization of the country would apply, with insignificant changes, to the earlier year.

[1] Lamb's *Essay* on *The South Sea House*.

[2] *Parl. Hist.* XXII, 516–17; and see p. 181 below.

CHAPTER III

THE ORGANIZATION AND BUSINESS OF THE BANK, 1694–1764

FOR a hundred and thirty-two years the Bank of England could be found within four walls—in Mercers' Hall, Cheapside, for a few months; in Grocers' Hall, Poultry, for nearly forty years; and from 1734 on the site in Threadneedle Street part of which had been occupied by the house where the first Governor, Sir John Houblon, had lived and his widow after him until 1731. Midway in Houblon's governorship, in April 1696, two Directors had been instructed to "provide and contract for a convenient house between Somerset House and Charing Cross for receiving and paying of money". They found a place for this "West End" branch in Norfolk Street, Strand; but there is no evidence that any use was made of it. The house was let in July and the lease sold in 1700. Whatever the motive behind the lease, it very soon ceased to work. The motive may possibly have been fear that there would not be room enough in Grocers' Hall for dealing with all the worn and clipped money that was being paid in at the time of the recoinage.[1] After this uncompleted experiment there is no trace in the Bank records or anywhere else that the Directors gave two thoughts to branch banking for the next century and more.

Whether this is evidence of good sense or of limited imagination on their part, it is at least curious; for the idea of branch banking

[1] Acres, *The Bank of England from Within*, I, 68–9.

was afloat before the Bank was founded, and branch banking was tried elsewhere during its formative years. It was hardly, however, to be expected that the solid men of affairs of the first Court would pay much attention to ideas found, for example, in the anonymous *Proposals for National Banks* issued in 1696. Michael Godfrey had read it; but he treated its most interesting suggestion as a rather poor jest—that there should be a bank in every city or market town.[1] Its author, who objected to "the further enriching of sharp-witted Purse-Men", a hit at the Governor and Company, wanted a "truly National Bank" in London, whose Governor and Directors should be nominated by Parliament. There was to be the network of branches which amused Godfrey, controlled by rules from "The Head Bank in London", to which the branches were to account weekly. Provincial customers, the author felt sure, would pay in cash and take out "Bank Bills". The branches would be able to remit "multitudes of sums, great and small, to and from place to place...without charges of carriage or dangers of Robberie". They would also provide "gentile employment" for younger sons—as branch agents, to use the term adopted by the Bank itself, a hundred and thirty years later.

There were grotesque elements, but also much good sense, in this programme. It might have been adopted in a modified form by the "Purse-Men's" Bank, beginning perhaps with branches in five or six cities. This would probably not have been possible in the earliest years, for political reasons: the Bank's enemies were always ready to picture it as a grasping octopus, and there would certainly have been a storm in Parliament against any spread of its tentacles. But in quieter subsequent years something might have been tried. Branches in Bristol, Norwich and York suggest themselves as most appropriate to the commercial and economic geography of England under Queen Anne and George I. But none of them was ever suggested in the Court of Directors.

[1] Godfrey, M., *A Short Account of the Bank of England*, in *Somers' Tracts*.

The Court took no more notice of Scottish experiments than of pamphleteers' suggestions. They must have heard that the little Bank of Scotland, established in 1695–6, had opened branches at once—not yet for deposit, but to facilitate exchanges and get its notes into circulation. The branches were at Aberdeen, Glasgow, Dundee and Montrose. But London may also have heard that two of them were closed at the end of 1696, and the other two by the end of 1698.[1] And in any event, to the London merchant of that time, Scottish precedent was not of much weight. A struggling Scottish Bank with a capital of only £100,000 (£1,200,000 Scots) was not the sort of institution to which he looked for guidance. The great continental banks that he respected—Amsterdam, Genoa, and the rest—were like that of Grocers' Hall, concentrated on a single site.

Some twenty years later a more showy experiment in branch banking was made, of which the London Directors must certainly have heard. This was part of the financial "system" of John Law of Lauriston, that Scottish adventurer of genius, "nicely expert in all manner of debaucheries",[2] who dazzled the French for a few years and in the end made them hate the very name of a bank. It was in 1719 that Law's *banque royale*, which crashed next year, opened branches in the chief French cities and got its notes into circulation in every province of the kingdom.[3] They proved bad notes, but they need not have been bad. Law's central ideas are now recognized as neither fantastic nor fraudulent; and this plan for a *banque de France* with its provincial *succursales* was obviously sensible. The Bank of England could not have adopted it in 1720 or 1721: Law was decidedly out of fashion and the Bank was up to its eyes in the business of the South Sea Company. But one

[1] Scott, *Joint Stock Companies*, III, 256; Kerr, A. W., *A History of Banking in Scotland* (2nd ed. 1902), p. 28.

[2] A quotation from his first biographer made by Nicholson, J. S., in *John Law of Lauriston* (*Money and Monetary Problems*, 4th ed. 1897), p. 166.

[3] Harsin, P., *La Banque et le Système de Law* in *History of the Principal Public Banks*, p. 284.

may regret that in the safe days of Walpole, with no war finance to trouble it, when a sound Whig proposition would have had a good hearing, the Court did not at least consider this question of branches. They would have been very helpful to its circulation, and might have saved provincial England of George III's reign from some unhappy experiences with those of the new private country bankers who proved to be mere men of straw, or even dishonest.

One pamphleteer of 1721 had touched on the question very intelligently. He was interested in the old doctrine of land as a basis for credit, and his thought shows traces of influence from Law's more unfortunate notions. But at least two of his suggestions were highly practical. One was the issue by the Bank of notes "for even sums" down to £5 and £1. The other was the opening of branches "in the trading places of the nation". Their managers would have authority "to lend a little (not upon Land, for that were perhaps better left to the Bank at London)".[1] More than a century later, when the £5 note was well established and the "Bank at London", as he called it, was actually lending upon land, branches very much on these lines were opened "in the trading places". But in 1721 no one listened to the pamphleteer.

After that the notion of branch banking was left to be toyed with occasionally, very occasionally, by the Bank's critics, such as the author of the *Essay on Paper Circulation,* of 1764, who wanted to let the Bank Charter run out and to establish a central parliamentary bank with nine or ten London offices, and sub-offices in Bristol, Liverpool, York, Manchester, Edinburgh, Glasgow, Aberdeen and so on.[2]

Without discussing any alternative, the Bank chose to remain what it was often called in the eighteenth century, the Bank of London. This makes easier an examination of the way in which

[1] *Proposals for Restoring Credit, for Making the Bank of England more useful... etc. etc.* (Anon. 1721).

[2] Cp. p. 99 above.

it was organized and the subdivisions and methods of its business: we are dealing with a single house, its rules and customs, and with a single set of books. But as London dominated the commercial and financial life of the country perhaps more completely in the early eighteenth century than at any other period of its history, and as there were then only beginnings of a banking system outside London, this unitary Bank of London was not misnamed the Bank of England.

It had been suggested in the draft by-laws of 1694 that the Governor and Deputy-Governor should not serve for more than two years and that not more than two-thirds of the Directors should be eligible for re-election.[1] This clause (16) was rejected by the General Court; but in 1697 its second half was imposed by Act of Parliament.[2] The Bank protested against what it called an infringement of its Charter, yet evidently the policy cannot have been distasteful to the governing group who made the draft of 1694. And in practice the two-year period of service for the Governor and his Deputy became normal. Occasionally a Deputy failed to become Governor: Michael Godfrey failed, but that was the fault of the cannon-ball at Namur. One man only, Gilbert Heathcote, became Governor without having served as Deputy. He was alone also in being Governor twice (1709–11; 1723–5). It came to be normal for a man to serve his four years in the two offices in succession; and invariably those who had "passed the chair" served for a spell, often very long, as Directors. This led to a great continuity, and ultimately to a great conservatism, in the direction of Bank policy.[3]

There had been a group of City Knights and one Baronet in the original directorate. One other Baronet, Sir John Cope,

[1] Acres, I, 37–40, for the history of the by-laws.

[2] 8 & 9 William III, c. 20.

[3] See the full lists of Directors, Governors and Deputy-Governors in Acres, II, App. I.

became an inconspicuous Director in 1695, and his son served after him. Later, a number of Directors were knighted, and a few rose to be Baronets. But with a solitary exception all the most active members of the Court seem to have been of City families, though often of families which even in the person of the Director, or more probably in that of his son, were leaving the City for the country or the law. Charles Thorold is a Director in 1699 and is knighted. Sir George Thorold, Bart., is a Director for ten years from 1711. After that the name deserts the world of banking. Often it is some descendant outside the sphere of discount and issue that the name of a Director calls to mind, a lawyer, a soldier or a minor poet—Chitty, or Du Cane, or Dolben. The solitary exception in this long list of City names is that of Horatio Townshend, Walpole's brother-in-law.[1] In his case, the City found for a time thoroughly "gentile employment" for a younger son, and profitable too.

The original by-laws authorized the Court of Directors to appoint such sub-committees as they might judge necessary. The Court itself was to meet at least once a week. The standing committees that never changed were the House Committee, doing the work which the name suggests to any English clubman, and a committee with a great future described in the Index to the first Court Book as the "Committee for ye Trea'ry" (Treasury). Rather later its function is more precisely defined in the title "The Committee to attend the Lord Treasurer". One sub-committee was not regarded as standing because of its character—the Committee in Waiting, a rota of Directors to superintend day-to-day business, especially discount.

In early days there was a Committee for the Accounts, successor to the first special committee "to bring the books to a balance".[2] In the teens of the eighteenth century one committee specialized in the Discounting of Tallies and Orders. This body survived, with varying functions as business developed, right

[1] See p. 91 above. [2] *C.B. A*, 27 Feb. 1695.

down to the sixties, when its description is—For discounting Tallies, for Exchange and for Gold and Silver. But the Committee for the Accounts was absorbed by the Committee for the Treasury, to which the most responsible business tended to gravitate. (For a few years in the thirties it absorbed the Committee for the Exchanges also.) At the appropriate time in the thirties a Building Committee appears. Special committees are often appointed. But the Exchanges, the House and the Treasury, are the only standing committees of the later years.[1] Having absorbed accounts and being *ex officio* in touch with the government, the Committee for the Treasury was apparently the normal source of policy.

Apparently; because no early minutes have survived. The Committee was instructed to keep them in May, 1721, just after the South Sea troubles, when very delicate negotiations that bound the Bank had been undertaken by a negotiating committee which seems to have been almost identical with the Committee for the Treasury. The vote is that "all...Transactions...be entered in a Book in Order to be reported from time to time to the Court".[2] If minutes were kept the books are lost. But as there is no evidence of this regular reporting to the Court, though Court decisions are often taken on the recommendation of the Committee, it is possible that the vote was not carried out—or, more likely, that it was obeyed for a time, while people were still anxious, and then neglected. In that case a broken set of records might easily have disappeared. The earliest surviving minute book of the Committee begins in 1779. It is roughly written, not in a clerkly hand, and rather illegible. It contains the words "to me as Deputy Governor"; and we know that eighteen years

[1] See, for example, *C.B. Q*, 14 May 1763, when these three committees are appointed: their full titles then are "For the Accounts and for the Treasury", "For discounting Tallies, for Exchanges and for Gold and Silver", "For the House and Servants".

[2] *C.B. H*, 25 May 1721.

later the Deputy still entered up the minutes.[1] If this book had been the fifteenth or twentieth of a series extending over more than half a century, but since lost, it is a fair inference from the known history of records that something tidier and more formal would have evolved. However that may be, the historian of the Bank must work with the knowledge that before 1779 there certainly are not, and that perhaps there may never have been, continuous minutes of this dominant Committee, a body that always included the leading men in the Bank. So early as 1719, seven out of its ten elected members were ex-governors.[2]

In the very earliest years the minutes of the General Court, the big meeting of "the Generality", are full and important. A great deal can be learnt from them about bank policy. We can also learn what a shareholders' meeting was like before Queen Anne was dead.[3] But "the Generality" soon lost all real power. Its first folio minute book covers not quite eight years; its second twenty-three. It was still important under Anne and again at the time the settlement was being made with the South Sea Company. After that there are no constitutional decisions required of it for a very long time; and the third volume of minutes contains all the business from 6 June 1725 to 16 July 1789. The Court meets twice a year to declare, one might say accept, the dividend. It meets for the elections in March or April every year. It has to meet once more yearly, though there is often no business, because a quarterly meeting is statutory. The minute will then run like this: "The Governor informed the Court that this is one of the Quarterly Courts and that the Bank is in a good Condition."[4] Occasionally there is a fifth meeting, to sanction a renewal of the Charter—but that is not oftener than once in twenty-one years—to fill a gap in the directorate created by death, or for some similar purpose. The elections themselves become very much a matter

[1] *Report from the Committee of Secrecy...on the Restoration of Payment in Cash*, 1797 (*A. & P.* XI, 119), p. 159.

[2] *C.B. H*, 16 April 1719.

[3] As on p. 63 above.

[4] *G.C.B. II*, 31 July 1707.

of routine. On 7 April 1725, for example, 131 proprietors of stock meet for the election: each of the twenty-four directors nominated receives exactly 131 votes, or so the minutes say.[1] And from that time forward it is rare for any name proposed to receive above one or two votes less than the total of proprietors attending. Every proprietor was supposed to record twenty-four votes and they seem to have done so. There is no trace of an opposition after the reign of Queen Anne.

So for over sixty years the General Court is negligible. When it wakes up, in September 1788, it is with a critical motion from the floor about the dividend. The previous question is moved and carried.[2] And that, on the eve of the French Revolution, is all the rebellion the General Court is good for. The negatived motion does, however, mark the beginning of a period of greater activity which will be discussed in another place.

Beneath the Court of Directors and its Committees there worked the salaried staff, clerks, porters, watchmen and the rest. The original clerical staff was seventeen: a Secretary and "Sollicitor"; First, Second and Third Accomptants; three Cashiers and ten Tellers. Until the move to Threadneedle Street, forty years later, there were never more than ninety-six names in these various clerical grades. By 1763 the number had risen to two hundred and twenty-two, not all very efficient, and working under a discipline which their historian has described gently as "somewhat lax".[3] Directors had patronage in the nomination of clerks. It was only in 1748 that an age limit for entry was imposed, and then it was fixed so high as thirty-five. The clerk had low pay, a good deal of leisure, and unless he misbehaved himself very grossly a safe position with prospect of a compassionate allowance in old age. In mid-eighteenth century London therefore, with its Gin Lane and other social uglinesses, some abuse of the lax

[1] *G.C.B. III*, 7 May 1725.

[2] *G.C.B. III*, 18 Sept. 1788. See p. 201 below.

[3] Acres, I, 226.

discipline and misuse of the leisure are not surprising. There were cases of fraud, forgery and embezzlement; but it was not until 1767 that a clerk of the Bank of England was hanged—for filing guineas and remilling the edges by a clever machine of his own invention.[1] And there is no reason to think that the standard of honesty or conduct was worse in Threadneedle Street, among either clerks or Directors, than in other parts of London. In the higher clerical ranks the Bank was exceedingly well served.

Excluded by mercantile jealousy from all buying or selling of commodities, which by the way there is no reason to suppose that any of its founders coveted, the Bank had to build up its trading business on the trade in bills, the trade in treasure and, if it wished, the sale of goods bona fide pledged, or pawned, with it. This last class of business never came to much. There were curious discussions arising out of it at early meetings of the Court. Should Mr Saml. Briggs be allowed to pledge a consignment of tobacco? This was "not thought fit". Should someone else be allowed to borrow on a consignment of cork? Yes, up to two-thirds of its value. Should £14,700 be lent to Mr Ellick "on Bellamy's Wines"? Answer, no.[2] As might have been anticipated there are loans on pawned plate and jewelry, a usual type of goldsmiths' loan; also on coffee and one or two other commodities. But, whether called loans on goods or "pawnes", they dwindle into insignificance; although in 1699 they still seemed important enough to call for a vote assigning oversight of them to a particular and newly elected Director—William Dawsonne.[3]

They were not, however, Dawsonne's sole or perhaps his most important business. He was also to keep an eye on Securities for Money (mostly formal bonds given by debtors) and on the Mortgages. But when he was entrusted with it the mortgage business was already a poor thing. It is rather remarkable that it

[1] Acres, I, 233.

[2] Index to *C.B. A* and *C.B. B*, under "Briggs", "cork", "Ellick".

[3] Vote of 7 June 1699, in *C.B. C*.

did not become more important. There were plenty of mortgages on the market—mostly in scriveners' hands—and the supply increased as taxation pressed on landowners during William's and Marlborough's wars.[1] The Bank had at first been keen to get hold of the business. On 31 October 1694 the Court voted "that after 1 January next when the £1,200,000 has been paid into the Exchequer" it "would begin to lend...on Mortgage at 5 per cent".[2] Everything pointed to mortgage transactions becoming a "leading line". A fair number of applications were dealt with in 1695–7, including one from Oliver Cromwell. (Can it have been Oliver, the Protector's great-grandson? He was born in 1687 and died in 1703.[3]) But the business did not grow. Perhaps scriveners were jealous of the Bank and took their mortgages elsewhere. Possibly Tory squires, advocates of a Land Bank, gave instructions not to apply at Grocers' Hall. Or—and this is most probable—the Directors came to dislike the long dragging supervision of mortgages, with the possibility of having to foreclose. An early mortgage for £5000 by Samuel Brownlow, Esq., gave them a great deal of trouble; and they only recovered principal and interest on Mr Wilmott's mortgage in 1698 with the help of "Mr Hawkins of Staffordshire".[4] Whatever the cause, the Court lost interest in these operations. New mortgages become rarer and rarer; until between 1723 and 1727 there is only a single entry under the heading "mortgage" in the index to the Court Book for that period.[5] The business may be regarded as dead. Dead it remained for almost exactly a century when, after pressure from government, the Bank engaged in some very large operations to relieve the agricultural distress of the 1820's.

[1] Habakkuk, H.J., "English Landownership, 1680–1740", *Ec.H.R.*, Feb. 1940.

[2] *C.B. A*, 31 Oct. 1694. [3] Waylen, *The House of Cromwell*, p. 33.

[4] The Brownlow mortgage recurs repeatedly in *C.B. A* and *C.B. B*. Mr Hawkins' offer to pay the outstanding principal and interest is in *C.B. C*, 16 Nov. 1698.

[5] *C.B. K*.

While mortgage dwindled, formal loans of money, for fixed periods at fixed rates, became a regular, important, but strictly limited class of Bank business. These—apart from the constant advances to the Treasury on the security of the Land, Malt, and other taxes—might be made to individuals or to a few select and responsible corporate bodies. In the first statement of profit and loss, of March 1695, the interest on loans came to £15,807. 10*s.* 3*d.* against only £1088. 7*s.* 11*d.* interest on bills discounted.[1] The larger figures may possibly include some interest on loans to the Treasury. These began as soon as the capital payments were completed. But it is unlikely that by March the Treasury can have paid much interest on transactions that only began in January. The individual loans were of all sizes, to all sorts of people, and on a considerable variety of securities. Sometimes the borrower is a public official, with the credit of the state behind him, like the corrupt Lord Ranelagh, Paymaster-General of the Forces. Sometimes he is a City man, very likely one of the Bank group, who gives the security of other City men, the arrangement which right through the eighteenth century the Bank most favoured. Some of the loans are not to be distinguished from the "pawnes"—Sir John Chardin, To Cash on Plate, £200. And many, from the very first, are on securities in the common modern sense of the word—To Cash on 100 Million Adventure Tickets, £1000; To Cash on £3357. 9*s.* 5*d.* in the Orphans' Fund, £1000; To Cash on 1 Benefitt Lottery Ticket, £75.[2] It will be noticed that these securities were not all too secure and that on the more doubtful ones the Bank left itself a wide margin. As a rule either the Court Books or the Ledgers are full and explicit about the loans, but now and again there is a touch of mystery. In 1704 "a certain Gentleman" by giving security got no less than £18,000 without disclosing his name.[3] In 1711 "a particular

[1] *G.L. I*, f. 40.
[2] All from the "Account of Loans" in *G.L. I.*
[3] *C.B. E*, 7 March 1704.

person", being a large discounter with the Bank, whose possible failure would "occasion more disorders in General Credit", receives £20,000 for six months, again on "sufficient securities".[1] (His name is not given, but a later vote shows that it was Jno. Morton.) In 1722 Sir Thomas Scawen, "for a particular occasion", gets £10,000 for three weeks on a promissory note signed by himself, his son, and Sir William Hammond.[2] He was Governor of the Bank at the time.

The other private loans recorded in 1721–3 illustrate the size and character of this part of the business in Walpole's early days and in time of peace. There are only a dozen of them. Lord Halifax has £3000, borrowed on the security of Bank stock. (At first the Bank did not lend on its own stock; but, as has been seen, it did so for a time in 1720.) A certain Micaiah Perry has borrowed £6000, which grows later to £8000. The ten other loans vary from £1000 to £6000. All are for fixed periods at fixed rates and with formal security—bonds, notes of hand, or deposits of foreign silver coin.[3] As the century went on this strictly private loan business tended to decline. In 1753, for example, again in time of peace, the profit and loss account shows only £3624. 2*s.* 1*d.* interest on all the loans then current;[4] and by far the greater part of this would come not from private debtors but from bodies corporate, above all from the East India Company.

To that Company the Bank lent continuously, from a very early date, and on a very large scale. The relations between these two great money powers recall those between the Bank of Amsterdam and the Dutch East India Company—with the difference that by lending to its East India Company the Bank of Amsterdam technically infringed its own charter, whereas the Bank of England did not.

There was discord in the East India Company during the

[1] *C.B. F*, 10 Oct. 1711. [2] *C.B. I*, 19 Dec. 1722.

[3] Index to *C.B. I*, under "Loans", and the various votes referred to.

[4] *G.L. XI*, f. 55.

nineties of the seventeenth century, and animosities partly political partly financial and personal. The "old gang" headed by Sir Josiah Child had been loyal to the Stuarts and to themselves. A more Whiggish group wanted new policies and power. For years they financed a syndicate to work against the group in possession. Parliament was on their side and in 1698 it chartered a distinct company for them—the English Company trading to the East Indies—which lent its capital to the King after the style of the Bank of England. The Old or London Company also lent money. The two contended and pulled wires. But their leaders had "no illusions": "it was clearly seen that an amalgamation was inevitable".[1] Full amalgamation was preceded by a working agreement in 1702, the making of which greatly impressed the Dutch: the English were drawing together in face of war, as their habit is.[2] On this occasion they would probably have drawn together in any event: there really was not room for two companies: it was only a question of what group should dominate and what policies be followed. Groups and policies are not relevant here, especially as, after seven years' conduct of the trade by a joint committee, complete fusion was effected in 1709. So was established the United East India Company, the company of Clive and Hastings and Jos Sedley that made Britain's Indian Empire.

The Bank's political leanings, so far as it had any, were towards the new men, but it took a business view of the struggle. Both companies kept accounts with it, though for a time its preference was evidently for the English Company. In December 1700 that corporation was given the then rare privilege of a £20,000 overdraft for "such consideration as they think fit".[3] It was with the hope—so it is believed—of cornering the Bank when short of cash that the Old Company with allies organized a run on it

[1] Scott, II, 167.

[2] Trevelyan, G. M., *England under Queen Anne*, I, 164.

[3] *C.B. D*, 11 Dec. 1700.

in 1701.[1] The attack was beaten, but the New Company did not pay off its overdraft for nearly a year. Then, early in 1702, £30,000 was lent to it on the joint and several securities of a familiar Bank of England group, Scawen, Furnese, Bateman and Heathcote.[2] Later in the year it was allowed to borrow at any time up to £40,000 on personal security. And so on—a credit of £40,000; a loan of £50,000; with other favours.

Although there had been this serious bickering with the Old Company, in October 1702—the working agreement between the companies had been arranged in July—the Deputy-Governor and the Committee in Waiting were empowered to accommodate it "from time to time as shall be desired".[3] (Amalgamation is in sight and there is no reason why the Bank should not oblige both parties.) The eventual result was a credit of no less than £100,000, on the joint and several securities of a group which contains no Bank names but does contain the name of William Hewer, once Mr Pepys' serving man, who had risen with his master and was now a capitalist.[4]

Yet relations between the Bank and the Old Company were still uneasy. There were differences about how the two parties were to share a loss on "Sheppard's note"; and "the affair of Sheppard" had to be settled at last by a joint committee. Sheppard was a banker of the Old Company who had suffered in the passage of arms between it and the Bank.[5] In July, 1705, "It is recom-

[1] The story of the concerted run is accepted by Scott, III, 217, but I am suspicious of some of the pamphlet evidence on which it rests. There was, however, no doubt considerable friction between the Bank and the Old Company.

[2] *C.B. D*, f. 112.

[3] *C.B. D*, f. 160.

[4] Hewer died in 1715. He was already a richer man than Pepys by 1688 (Bryant, *Pepys*, III, 350). That this is the same William Hewer is an assumption, but I think a fair one.

[5] His ruin is mentioned in the pamphlets (Defoe's *Villainy of Stock-Jobbers Detected* and another) which tell the story of the concerted run and the Bank's retaliation. His mention here shows that the story had some real basis. The references to him quoted are in *C.B. E*, Nov. 1705 and May 1706, f. 80 and f. 107.

mended to...Heathcote [a Director but not yet Governor] to compose the differences between the Bank and the Old East India Company by the most proper methods he can".[1] Was his method a dinner, or a series of douceurs, or just plain argument and friendliness? We are not told.

With the completed union of 1709 all trouble ends and the financing of the United Company becomes almost a matter of routine. In January 1713, for example, the Company is allowed to overdraw to £100,000, "to be paid out of the first Mony arising by their Sale in March".[2] Two East India Directors' signatures are enough to secure credits on the overdraft. The charge is 6 per cent. This vote or some modification of it becomes an annual affair. At times the sum is £100,000, sometimes £150,000, sometimes £50,000. It fixes a maximum, which is not always all required. The interest of course varies. By the twenties the Company is getting loans against silver—not at this date silver brought from the East but silver waiting to go there. By the thirties, besides lending in anticipation of the sales of East India produce, the Bank is allowing the Directors of the Company up to £100,000 at 4 per cent to help them "to reduce their bonds".[3] The lending of such sums has become so usual that it is now handled by the Committee of Treasury "at discretion".[4] By the middle forties the Bank is cashing a bill drawn on the Company in Bombay "and another dated on board the Deptford in Madrass roads".[5] And so the business goes on until the later sixties when the credits to the Company leap up to figures of £200,000, £250,000 and £300,000. Plassey has been fought and won; the Seven Years' War is over; and John Company is becoming a sovereign power with a sovereign power's appetites.

The South Sea Company also was financed regularly throughout its intricate career, except during the spell of conflict with

[1] *C.B. E*, July 1705.

[2] *C.B. F*, Jan. 1713, f. 189.

[3] *C.B. M*, 27 March 1735.

[4] Several times in *C.B. N*, 1736–41.

[5] *C.B. O*, 18 Sept. 1746.

the Bank. Chartered in 1711, it soon had a nominal capital "considerably larger than the combined stocks of the Bank, the East India and African companies".[1] The Bank was naturally deferential to so powerful a neighbour. Relations were good down to 1718 and, as has been seen, the Company had arrangements for an overdraft in 1719.[2] But within a year the South Sea Bubble is expanding and the Bank is negotiating and fighting for a position from which to prick it. When the bubble has burst, the Bank—in February 1721—is supplying the House of Lords with a copy of the drawing account of its client and rival.[3]

The struggle over; the Bank not absorbed and the Company in temporary disgrace; the Chancellor of the Exchequer expelled the House for his share in its doings; the goods of its Directors inventoried down to the last suite of furniture for confiscation and composition to the public—business relations with the chastened rival are resumed. By 1726 it is given an opportunity to overdraw up to £150,000.[4] It was sending a ship to South America and venturing in an "unprosperous whale fishery" in 1724–5. But during the thirties, as its trading activities slackened away, there was no great need for circulating capital. In 1731 its "seventh year's whale fishery" was "still unprofitable, although it had invented a gun for the shooting of whales"; and its Porto Bello ship returned from "the only gainful voyage the Company made thither". Its slave-trade with the Spanish colonies was also unprofitable. The war of 1739—the war of Jenkins' ear—curtailed these already limited trading activities and hindered the South Sea Company from pressing its "great and just claims on Spain"[5]—claims which were no doubt great but which Walpole had called not just but "delirious".[6] It was again driven to rely

[1] Scott, III, 296.

[2] See p. 82 above.

[3] *C.B. H*, 7 Feb. 1721.

[4] *C.B. K*, 5 May 1726.

[5] The quotations are all from the analytical Index to Anderson, *History of Commerce*, vol. III.

[6] McLachlan, J. O., *Trade and Peace with Old Spain*, 1667–1750 (1940), p. 116.

on overdrafts at the Bank, which once at least, towards the end of the war, were authorized up to £100,000.[1]

From 1750–1 the South Sea lost even the appearance of a trading company and settled down into a mere handler of annuities. But it still found the right to overdraw at the Bank convenient, and was regularly authorized to exercise it up to a limit of £50,000.

Loans to other corporations or overdrafts allowed them are, with one exception, rare and intermittent. There is a considerable one—on stiff terms—to the London Assurance Company during the financial troubles of 1720.[2] In 1722 the Royal Africa Company, a corporation in chronic difficulties, is offered anything up to £30,000—but only for two months and on the personal security of six of its directors.[3] The Royal Bank of Scotland, however, Scotland's second chartered bank, made arrangements for keeping cash with the Bank immediately on its foundation, in 1727, and received in return the right to overdraw at 4 per cent, first up to £30,000 and then up to £50,000, "upon such security as the Committee for the Treasury shall think fit".[4] This transaction is referred to in one of the few copies of early letters that have survived. The Royal Bank is almost abjectly grateful: "if the consequences of this correspondence shall be to make this Little Society of any small use to the Bank of England, as we fondly hope it may...we shall have great pleasure in doing our part"; and it promises that its Cashier will draw all his Bills "upon the Cheque paper you sent".[5] In later years the limit of the credit was lowered: in the fifties it was £20,000, but in 1760 the directors of the Royal secured an extra £17,000 so that

[1] *C.B. O*, 12 May 1748.

[2] *C.B. H*, 24 Nov. 1720. There is a peremptory demand for repayment in a letter of 3 Feb. 1721: *Copies of Letters*, 1717–1766, f. 40.

[3] *C.B. I*, 15 Oct. 1722.

[4] *C.B. L*, 21 Feb. and 4 May 1727. And see Munro, N., *The History of the Royal Bank of Scotland* (1928).

[5] Letter of 22 Feb. 1728: *Copies of Letters*, f. 122.

they might "enlarge their transactions in the Article of the Exchanges".[1]

Other corporations that kept accounts with the Bank between 1720 and 1764, and so probably had some assistance from time to time though they were never granted formal loans or overdrafts, were the Russia Company, the York Buildings Company, the Exchange Assurance Company, the Commissioners of Westminster Bridge, the Corporation for the Relief of Seamen, the Brass Wire Company, the Copper Miners' Company, the Foundling Hospital, the Mercers' Company (in whose chapel the first subscription had been taken), the Trustees for Georgia and the Hudson's Bay Company.[2] With the brass and copper we get the Bank's earliest contact with large-scale industry: its main connections were always with government and commerce.

Any assistance given to these corporations would be by what from the first was the Bank's usual method, the discounting of paper for them. Discount was a day-to-day activity; discount of tallies and orders payable in the future from various specified branches of the public revenue, discount on behalf of officials in whose names departmental business was transacted—officials of the army, the ordnance, the navy, the post-office—discount of private individuals' promissory notes, and discount of inland or foreign bills of exchange. The supervision of this business lay with the Directors who served in rotation upon the Committee in Waiting. Clients who were given specified credits could use them, within the agreed limits, by drawing and discounting. In course of time, agreements to discount the borrower's paper to a certain amount and on specified security became a regular class of business. Moreover the business of discounting was always a principal way by which the Bank put its notes into circulation. Discounters, a pamphleteer wrote in 1707, "seldom require

[1] *Copies of Letters*, f. 160: a letter from the Royal Bank of 5 May 1760.

[2] The names are taken from the "Alphabets" of the Drawing Accounts.

money but rather choose their notes".[1] The development of the discounts therefore is worth close attention.

Fortunately the material surviving is ample for most purposes and is particularly intimate for the early years when the business was developing, though slowly. In August 1694, it had been agreed that tallies should be discounted freely to specified maxima for the various tax funds from which they were payable—post-office, land tax, excise, malt, customs, wines, and so on—but that for foreign or inland bills only accountable notes should be delivered "until the money be actually received".[2] However, in October, the "Weekly Committee" was given discretion to allow regular depositors running-cash notes or sealed bills against inland bills or goldsmiths' notes due for payment;[3] and in November, in order to work up the business, it was decided "that Inland Bills, or Notes, be taken...without regard to the smallness of the sume or distance of place".[4] In May 1695, the Directors in Waiting were instructed to discount at 3 per cent "running notes" (that is, promissory notes) and bills with not more than three months to run "to such onely as keep their cash here".[5] In July, the Court decided one week that there was to be no discount at all, "unlesse of such persons who entirely keepe their cash with this Company", and next week that the word "entirely" be omitted.[6] By October it was agreed that any safe man might discount up to £3000, but at 4½ per cent, even if he did not keep his cash at the Bank.[7]

The discount of foreign bills of exchange was handled cautiously in those difficult years of the war in Flanders and its "remises". At the close of 1696, the year of no dividend, the Directors in Waiting were once instructed to accept only such foreign bills as

[1] *Remarks upon the Bank* by "A Merchant of London", p. 14.

[2] Two votes of 8 and 10 Aug. 1694 in *C.B. A*. And see Acres, I, 58. For the accountable note see App. A.

[3] *C.B. A*, 24 Oct. 1694.

[4] *C.B. A*, 7 Nov. 1694.

[5] *C.B. B*, 22 May 1695.

[6] *C.B. B*, 3 and 10 July 1695.

[7] *C.B. B*, 11 Oct. 1695.

had not more than fifteen days to run, and then only for depositors. The whole turnover was to be limited to £10,000. A few days later, however, the limits were extended to a month and £20,000: and by May of 1697 dealings were permitted up to £40,000, but still with depositors only.[1]

During the initial decade of the eighteenth century, first in peace and then in war, the bill-discounting policy of the Bank took definite shape. (Discount of tallies and orders on the Exchequer was a separate business with its own rules.) The Court still had difficulty in making up its mind whether it would or would not discount foreign bills for men who did not "entirely" keep their cash at Grocers' Hall. There were votes in both senses in November-December 1700; but in the end the "entire" policy prevailed, at least in theory.[2] The policy of discounting internal bills without "regard to the smallness of the sume" was dropped. By vote of Court of 26 January 1704, even "good men's" bills, endorsed, were not to be handled if for less than £50, or with more than two months to run.[3] Eventually, in May 1711, a set of consolidated rules for the handling of bills was approved by the Court.

Foreign bills with not above two months to run, inland bills accepted in writing with not above one month, and endorsed [promissory] notes of "good men", also with not more than a month to run, all were to be discounted at 6 per cent for "such as kept their cash entirely at the Bank". No notes were to be discounted whose object was to pay off other notes of the same client. Clients were to deliver their bills or notes in person or by "known servants". Every bill or note delivered was to pass the Committee in Waiting. No client was to have more than £3000 of inland bills or notes "running at one time". If any did not pay within six days of the date marked on the document he was to be banned from discounting for twelve months. No note not

[1] *C.B. B*, 2 and 16 Dec. 1696; 19 May 1697.

[2] *C.B. D*, 20 Nov. and 4 Dec. 1700.

[3] *C.B. D*, 26 Jan. 1704.

payable at the Bank might be discounted, a stipulation which precluded what seems to have been at least the occasional earlier practice of discounting goldsmiths' notes. Various matters connected with offers of payment before bills were due, and with the discounting of foreign bills which had no more than the three days of grace to run, were left to the discretion of the Committee in Waiting; and, by a final clause, that Committee was forbidden to discount bills drawn on any public office without an order of the Court. This was to check reckless discounting of such paper as bills on the Admiralty payable at the Bank which naval captains in foreign ports might draw.[1]

These rules may be supplemented by a record of practice from the following year. Mr Milner, merchant, of Leeds is to be told that "the Bank cannot concern themselves in small Bills, or enter into any Negociations of Bills by Exchange".[2] Business is to be simple, safe, and in big units: we are far from that discounting of bills down to 10 francs, for the benefit of the small man, which was enforced on the young Bank of France by Napoleon's government a century later.

The discount business developed slowly. In June 1695 the Committee in Waiting on some days only completed one or two transactions, including under the term transaction both the discount and collection of bills. Very occasionally there were more than ten transactions. During the next two years so high a number as twenty was rare; but with the peace in 1697 business became brisker. On 28 April 1698 there is even the quite abnormal entry of fifty-nine bills collected; and throughout the summer the trade continues active.[3] Individuals begin to bring in parcels of bills for discount: on 13 May Joseph Henriques brings in seven.[4]

[1] The rules are in *C.B. F*, 4 May 1711. They illustrate the importance of the promissory note side by side with the true bill of exchange which represented transactions in goods or international remittances.

[2] *C.B. F*, 18 Sept. 1712.

[3] *G.L. I*, ff. 8–9; ff. 469–81 (28 April is f. 481).

[4] *G.L. I*, f. 490.

On 4 June thirty are discounted and twelve collected: on 15 June the figures are twenty-five and fifty-one; but it is unusual, all through that summer and autumn, for more than forty transactions, in and out, to be recorded in the day.[1]

The relative, and varying, importance of the discounting of tallies and other government promises to pay and of the discounting of bills and notes is shown on some jottings of the Governors for the years 1695–1703 which have survived.[2] Between 13 and 21 June 1699 bills only accounted for £8534 out of a total discount business of £30,987. But for 27 June–5 July the bills are given as a round £14,000 out of £18,500; and by 1703–4 the tallies and orders have, for the time at any rate, become very much less important than the bills.

A fact revealed in these jottings is the beginning of the rush for money before Christmas which becomes a regular feature of the later records of discount. The Bank discounted foreign and inland bills and tallies to the amount of £84,000 between 5 and 13 December 1699; and to the amount of £60,350 between 12 and 20 December. For the period these are exceedingly high figures.

Another fortunate survival of a record of *Bills and Notes discounted*, for the years 1704–9, enables us to see further inside the business as it had developed by the end of the Bank's first decade. We are again in time of war and there is less activity than in 1698. Daily transactions sometimes fall as low as four or five. A day with thirty is a busy one. The greater part of the transactions are for round sums, often large, and quite obviously not directly connected with inland or foreign movements of commodities. On 22 February 1706, for example, thirty-one bills to the amount of £18,750 are discounted: of these nineteen are for round sums and seven of the nineteen are labelled "Note". There are parcels of small bills presented which suggest mercantile transactions; but the bill for £4160 of Francis Eyles, the Deputy-

[1] *G.L. I*, discounts entered intermittently from f. 496 to f. 648.

[2] *Governor's Memorandum Book I.*

Governor, on John Rudge, Esq., a Director and future Governor, is something different. Either Eyles wants to get cash by discount and arranges to draw on Rudge, agreeing to put him in funds at the end of the two or three months' currency of the bill; or he has lent money to Rudge at three months and cannot wait for the cash. The entry for 28 February 1706 suggests both types of transaction. Three large bills—£1000, £2400, £2500—are drawn by very familiar Bank names, Sir Gilbert Heathcote, Charles Peers and Samuel Lordell. Heathcote's is drawn on Lord Halifax, the others on less famous people. There is no suggestion of commodities here, and Heathcote may well have lent money to Halifax.

A more striking, but rather abnormal, day's business of Queen Anne's reign is that of 7 May 1706. Out of a total of £8409. 19*s*. 8*d*. in twenty items, no less than £3500 represents a bill drawn by Francis Eyles, Esq., on Francis Eyles, Esq., and Co. Eyles is using his position at the Bank to get cash for his firm by discount. There are a number of instances of the same policy being pursued by others.

A very strong Sephardic Jewish element is found among the discount customers of the Bank at this time. Jews with Dutch or Portuguese connections knew all about bills of exchange, and the discounters of parcels of bills are more often than not Jewish. One seems to watch a growing business of collecting bills for discount, though possibly all the transactions included in the parcel had actually originated with the man who presented it. Take two days of active business.[1] On the first, 28 January 1707, parcels of bills are discounted by Henriques, Pereira, Teixeira de Mattos, John Hanet, Alexander Jacob, Young and van Loon, and Billers and Hoskins. (This last English firm presented ten bills of which eight are marked "inland".) Discounters of one or two bills are Ximenes, Correa, Nunes, Peixoto, Tourton and Guigner, Featherstone, and Watkinson. On 10 November 1708

[1] All from the *Bills and Notes discounted* MS.

no less than 129 bills are discounted, but for only twenty-five clients. This time the largest business is done for non-Jewish firms—Tourton and Guigner (34 bills), John Lambert (24), Walter Cock (19), Scawen and Stockdale (7). But Henriques, Correa, and other Jews do business also; and so does Ph. van den Enden, an obvious Dutchman.

These intimate records cease with the small surviving group of books that preserve them. The General Ledgers no longer give details of the bills discounted, but only daily totals of discount and collection.[1] What we know of the discount business during the next fifty or sixty years is therefore more statistical in character. Expansion and fluctuation can be traced, but we learn little or nothing of the discounting personnel or of the branches of commerce which made use of the facilities offered by the Bank.[2]

No significant growth in the business can be registered by 1724–5, after the conclusion of the South Sea difficulties. Between December and May of those years the largest sum discounted on any one day was £25,754. 13*s.* 1*d.* and on a number of days discount fell below £1000. By the end of the decade however—between 3 March 1729 and 14 November 1730—the lowest recorded day's business has risen to £2205. 16*s.* 2*d.*; the highest to £47,506. 10*s.* 6*d.*; on about half the days of the period business is above £10,000; and days on which more than £20,000 of business was done have become fairly common.[3]

It would be possible to follow the discounts year by year, and even day by day, in this fashion, tracing their connection with the fluctuations of politics and commerce. Here however it is enough to say that in the thirties, forties and fifties there was again no

[1] The journals and ledgers enter the actual bills until 1698; but from 1699 we have only summaries of the day's discounting.

[2] This ignorance remains for the whole eighteenth century. Analysis of the discounts by trades only begins in 1800. See p. 206 below. Individuals do not recur there.

[3] These facts are taken from *G.L. VII* and *G.L. VIII*, in which they are widely scattered.

important change in the average size of the operations; and that in spite of the growth of national wealth during the Walpole era operations were sometimes curiously small. From 4 August to 15 December 1750, for example, the maximum day's business was only £19,212. 4*s.* 5*d.*; days with less than £1000 were not uncommon; and on one day it was down to £360.[1] By the early sixties, however, and especially after the victorious imperial peace of 1763 at the close of the Seven Years' War, there had been a gigantic increase. War conditions no doubt forced the commercial community to seek extended facilities from the Bank. Peace opened the way to a great expansion of activity. From March to September 1762 business fell below £10,000 only on a single day; there was not a week in which at least one day did not show a figure above £60,000; days with over £100,000 were common; and the maximum was £177,660. 18*s.* 1*d.* reached on 12 August. For a week in October 1763 the daily average was nearly £90,000; on 22 December the Christmas demand for cash, now a regular occurrence, drove it up to £244,227. 6*s.* 1*d.*;[2] and in January 1764 days with upwards of £200,000 of discounts recurred in most weeks.[3]

The year 1763 was one of international crisis and the Bank was doing its utmost to give help by free discounting.[4] During the next two years, its activity slackened; but the whole business was by this time established on a greatly extended basis.[5]

The rules of 1711 for dealing with bills were modified in detail by various votes, but they remained the general foundation of the discount management. In times of difficulty or actual crisis the classes of bills which the Bank would accept might be further limited; or discounting might be actually suspended, as it was during the South Sea crisis of 1720. Rates were altered from time to time, to meet particular emergencies, but so far as can be seen

[1] *G.L. XI*, ff. 552–66.
[2] *G.L. XIII*, ff. 104–68.
[3] *G.L. XIII*, f. 174.
[4] See p. 239 below.
[5] The maximum year's income from the discounts, 1728–58, was £15,992 in 1729–30: in 1763–4 it was £101,746. See App. E.

according to no general principle. By law, the rate could not rise above the standard 5 per cent of 1714, but it was often lowered to 4½ or even to 4 for favoured customers. Foreign and inland rates kept close together, as originally designed. If there was any divergence it was in favour of the foreign against the inland bill. This is not surprising. The foreign bill was a product of large-scale commerce and high international finance. It was sure to bear names with whose standing the Bank Parlour was thoroughly familiar. The inland bill was, or might be, a very different affair. Bill-drawing was universal and was practised by the smallest traders and the little master manufacturers of the day. It was exceedingly difficult for the Bank to ascertain their standing, especially if they came from anywhere beyond the Home Counties. That was why it had informed Mr Milner of Leeds in 1712 that it could not trouble itself with small bills. In the trade of the eighteenth century the £50 bill, which alone it was officially ready to handle, was by no means small.[1]

Yet with all its caution the Bank did not avoid some bad business in inland bills. The remnants of its correspondence which survive for the years 1744–66 are concerned with very little else but protested bills, fraudulent bills, and bills between men of straw. The correspondence ranges from Bristol to Newcastle and from Halifax to Yarmouth, I.W. The Bank had correspondents who made inquiries for it. Their reports are gloomy reading: they were dealing with the shabbiest side of eighteenth-century English business: "there is no such drawer here"; "I doubt it will turn out a sham bill"; I return this doubtful one (from Wrexham) "that you may do justice to the person who discounted it"; "I have at last heard [of A. B. and C. D. who he believes drew and endorsed a certain bill] but neither of them is worth sixpence". This last report is written from Manchester by Isaac Clegg on 6 January 1759.[2]

[1] But by the end of the century it was discounting much smaller bills for London clients. See p. 207 below.

[2] *Copies of Letters*, ff. 142–60.

To trade in the precious metals was a statutory right of the Bank, but no law determined the relations between the Bank and the Mint, between Grocers' Hall in the Poultry and the Tower of London where the Mint was still inconveniently housed in the eighteenth century. The story of how these authorized dealings in gold and silver, and the Bank's relations with the Mint, developed is obscure at certain points but in the main reasonably clear.

With the recoinage of 1696 the Bank had nothing to do—beyond suffering from the incidental delays. Nor had it any part in the decisions which finally stabilized the guinea at the odd figure of 21*s*. Incidentally, because at 21*s*. the guinea was a little overvalued, and became more so as the gold output grew, those decisions led to the gradual fall of the silver coin—nominally standard—towards the status of token money. So early as 1730 the Master of the Mint wrote that "nine parts in ten, or more, of all payments in England are now made in gold".[1] There was no temptation to carry to the Mint silver bullion that would buy slightly more gold bullion than gold coin; and in consequence, as the century ran on, the circulating silver tended to become old and worn. When so abraded, twenty-one of its shillings might easily be worth, as bullion, no more than a golden guinea, and were often worth much less. Indeed by 1760, when all the crowns and most of the half-crowns had vanished from the circulation, the average shilling was reduced by wear and tear or filing to perhaps five-sixths, and the average sixpence to perhaps three-quarters, of its full nominal weight.[2] With every decade the guinea became more surely the typical English coin for important transactions, although well into the nine-

[1] Conduitt, J., *Observations on the Present State of our Gold and Silver Coin* (1730; only published in 1774), p. 219. In Shaw, W. A., *Select Tracts*...[*in*]... *Monetary History* (1896). And see Jevons, *Investigations in Currency and Finance*, p. 340.

[2] Lord Liverpool, *A Treatise on the Coin of the Realm* (1805), p. 2.

teenth century England was not technically a gold standard country.[1]

These considerations make the story of the Bank's trade in gold specially interesting. But the trade in silver is not much less important; for all the countries with which England dealt had silver, or crude bimetallic, standards; and the trade of the Bank's great client the East India Company was still carried on to a great extent by exchange of silver for oriental rarities, as European trade with the East had been since the days of the Roman Empire.

It was on 16 February 1695 that the Committee in Waiting was first instructed "to buy gold and silver on the best terms they can for the service of the Bank".[2] On 29 May 1695 "the Committee for the Warehouse and Silver" is instructed to "find out and agree with a fit person who understands Gold and Silver perfectly to be employed in the buying thereof".[3] Next month they report that they have found such a man for silver: they are instructed to make the best terms they can with him, up to £180 a year or £150 and a house.[4] (This last is an interesting touch: the man is thought of as a very regular employee; but there is no evidence that such a man ever had a house.) Who it was that they employed, or thought of employing, is not quite clear, but probably it was one of the Mocatta family, as it certainly was 20–25 years later.[5] The tradition in the firm was that they had been its brokers "ever since the bank was established".[6] Perhaps

[1] Sir James Steuart, *Principles of Political Economy* (1767), I, 560–8, pointed out that the absolute fixing of the guinea at 21*s*. really gave England two standard monies. In open market, he reckoned the ratio of gold to silver had shifted since early in the century from 1 : 15·2 to 1 : 14·5. As "silver bullion is dearer than coin", "silver is exported preferably to gold". The main cause was the gold output of Brazil.

[2] *C.B. A*, 16 Feb. 1695.

[3] *C.B. B*, 29 May 1695.

[4] *C.B. B*, 5 June 1695.

[5] Moses and Abraham Mocatta both had drawing accounts with the Bank early in the eighteenth century, *Drawing Account Alphabets*.

[6] I. L. Goldsmid, of Mocatta and Goldsmid, before the *Committee on Cash Payments* 1819 (III, 209).

the arrangement did not work well—that would not be surprising in 1696—for in June 1697 a committee of Directors is instructed to buy silver and is given a price limit, not above 5*s.* 2*d.* an ounce.[1] Silver was both bought and sold, and when the accounts were balanced on 31 August 1698, there was only £389. 15*s.* 3*d.* in the Account of Bullion.[2]

With a view to establishing itself as the central depot for treasure, in 1700 the Bank offered to store any imported gold or silver for which the bills of lading were deposited with it.[3] From this developed the policy of making loans against such deposits, a policy which naturally encouraged them. A vote of November 1697 had authorized loans against pieces of eight and silver bars—though not before they were safely in the vault—but nine months later this vote had been suspended.[4]

The year 1697 also saw the beginning of a policy which indicated at once both the growing strength of the Bank and the much improved supply and quality of the British coinage. The Bank of Amsterdam had always done a great business in accepting foreign coins of all kinds and crediting its customers with Dutch money *banco* against them. The goldsmith bankers also had in their day been great changers of foreign money. Now, by a vote of 25 August 1697, confirmed by a second of 22 June 1698, the Bank of England instructed its tellers to accept no foreign gold or silver of any kind across the counter.[5] There was a slight relaxation of the policy in February 1700, when the receipt of Pistoles and "Broad Gold" was permitted, the cashiers being instructed to give "notes to repay at the same rate they receive them".[6] But the general policy of handling only English currency in the banking business proper, and keeping foreign coin, with

[1] *C.B. B*, 8 June 1697. Or perhaps they had to dodge the Act 6 & 7 Wm. III, c. 17, under which (§ 7) no broker "not being a trading goldsmith" was to buy or sell "bullion or molten silver". The Mocattas were not "trading goldsmiths".

[2] *G.L. I*, f. 557.

[3] *C.B. D*, 8 May 1700.

[4] *C.B. C*, 10 Nov. 1697, 31 Aug. 1698.

[5] *C.B. C*, 25 Aug. 1697; 22 June 1698.

[6] *C.B. C*, 28 Feb. 1700.

the bar gold and silver ingots, for ultimate conversion into English money or for use in international transactions is not abandoned. On 28 August 1700 a committee is set up to consider "the best method for buying of Gould in order to coin the same".[1] If the Bank can become the main depot of treasure, and it is so becoming, the Mint will have to work to its order and to meet its needs.

Ten years later, in the last phase of Marlborough's wars, that position has very nearly been attained. Early in 1711 a committee is buying gold, "any quantities", "to be Coyned as it comes in". In August, a certain Dr Fauquier is allowed to draw £25,000 "for the use of the Mint" on condition that he pays £13,000 in new money at once and the balance "so fast as Mony is coyned out of Bullion now brought into the Mint".[2] There was evidently pressure for coin. In the autumn arrangements are being made for getting bullion "from on Board the Ships of War from Lisbon [note the source of supply] in the river or at Chatham". By June 1712 it is being fetched from ships in the Downs, and by November from "Portsmouth and other places".[3] The treasure-buying committee of the Directors has been reappointed. The Bank is strong, but the country, not yet at the end of an exhausting war, is short of cash.

There was no one channel through which the Bank got its gold; and by 1712 gold, not silver, is its main concern when coinage is in question.[4] You bought it where and from whom you could—from outside merchants with Peninsular or West Indian or West African connections; from Bank Directors similarly placed; on occasion possibly from goldsmiths; above all, at this time, from Jews of the Sephardim who had not only

[1] *C.B. D*, 28 Aug. 1700.

[2] *C.B. F*, 22 and 26 Feb., 2 Aug. 1711. Dr Fauquier was apparently a Mint official. A Fauquier was a Bank Director in 1716.

[3] *C.B. F*, 11 Oct. 1711; 26 June, 13 Nov. 1712.

[4] Under Queen Anne £2,608,757 of gold and £527,467 of silver was coined; under George I £8,492,876 of gold and £233,045 of silver.

the Peninsular connections which their names often imply but also that ancient Jewish knowledge of "how the earth's gold moves with the seasons, and the crops, and the winds; circling and looping and rising and sinking away like a river, a wonderful underground river".[1]

There is an "Accompt of Gold" in the General Ledger covering the months from November 1711 to February 1712, long enough that is to be reasonably representative.[2] We know how many ounces troy (and pennyweights and grains) were bought from each of twelve people. Two of these bear well-known Bank names, John Lordell, who was almost continuously a Director from 1694 to 1726 and served on the bullion-buying committee, and one of the Houblons, whose family had Peninsular connections. There are six plain English names, apparently of merchants: none of them so far as we know was a goldsmith banker, though some may have been goldsmiths. They are Alford, Brayne, Clarke, Cook, Milner and Stratton. There are only four Jewish names, but among them are the two biggest sellers of gold to the Bank, a Medina and a Silva.

When accounts were balanced at the end of August 1714, there was £69,149. 7*s*. 6*d*. in the "Accompt of Gold"; and a year later £96,766. 16*s*. 5*d*.[3] The Ledger that covers the years 1719 to 1725[4] shows the whole trade in treasure expanded and complicated since 1712, but at one point, the silver trade, simplified and specialized. The "Accompt of Gold" has grown much longer and more varied. It contains between fifty and a hundred names of gold-sellers in the six years. Even less than before is there any single channel of supply. One of the most constant sellers in the early part of the account looks like a goldsmith banker. He is called Atwill, and was probably that William Atwell, banker, who "was drained of all his hoards" in the crash of 1720, "when

[1] Kipling, R., *Puck of Pook's Hill*, p. 290.

[2] *G.L. IV*, ff. 655 sqq.

[3] *G.L. V*, ff. 547, 711.

[4] *G.L. VII.*

not a guinea chinked on Martin's boards".[1] As "Atwill" does not appear in the "Accompt" after August 1720, we may guess that his hoards drained out into the Bank vault. The Jewish sellers of gold are less conspicuous than before. The foreign name that recurs oftenest looks like that of a Dutchman rather than a Dutch Jew, Bohens. Evidently the Bank was buying right and left. There is, however, another account more significant than this record of miscellaneous purchases, that of the fourteen dealers in gold who deposited their gold at the Bank and were allowed loans against it. These are evidently its prime suppliers. John Lordell is here again and, among Directors or ex-Directors, Sir John Ward, Governor so far back as 1701–3 and a Director from 1712 to 1726, Peter Delmé another ex-Governor, and Robert Bristow, until 1720 a Director. With these Bank Parlour men appear great Jewish names, Medina, Morena and Salvador, and also that of Bohens, the Dutchman. The remaining five are Englishmen, one Edward Gibbon the elder, who as a South Sea Director had all his fortune confiscated except £10,000, and one a not easily identifiable Smith.

The gold came to the Bank at this time in bars or in "Moydores". The moidore, the double *Moeda da Ouro*, was an excellent Portuguese coin worth about 27*s*., regularly current in the West Indies, especially Barbados, and in Ireland, and used even in the West of England. It might therefore come to the Bank along many routes. The Bank had no intention of patronizing this currency. Its "Moydores" went with its bars to the Mint to become guineas and half-guineas, and came back into its "Accompt of Gold" as "Cash coyned fro. the Mint". Between 1720 and 1722 entries of cash coming back appear every few days, one of them—much the biggest—being nearly £100,000.[2] So the Bank becomes the chief furnisher of the Mint with gold and of the public, recovering from the South Sea upset, with guineas.

[1] Martin, J. B., *The Grasshopper in Lombard Street* (1892), p. 130. The lines are Gay's.
[2] *G.L. VII*, f. 85.

Yet often when it talked of bullion, by old habit it still meant silver: when it had sold "its bullion"[1] to the East India Company in 1701 it certainly was not selling gold; and in the Ledgers of the early twenties against its "Accompt of Gold" appears an "Accompt of Bullion" which is all silver. Even in the forties "bullion" unqualified sometimes means silver.[2] It is at this point, the silver trade, that the tendency appears towards a simplification of one part of the Bank's dealings in treasure. The silver—ingots, Dutch "rixdollars", Spanish pieces of eight, Portuguese "crusados"—all comes through the hands of one man, acting apparently as the Bank's bullion broker. He is Abraham Mocatta.[3] His relationship with the Bank was already well established. In October 1718 he had been voted a gratuity of twenty guineas "for his punctual compliance in repayment...upon account of a loan of Silver deposited at the Bank".[4] Mocatta was both broker and dealer. The list of loans on silver which indicates, as in the case of the gold, the Bank's prime suppliers contains a fair number of names. The more important of those names come from Mocatta's community—Medina, Salvador, da Costa—and Mocatta himself is receiving very large loans indeed against silver which is obviously his. At one point in 1720 the Mocatta loan, which became almost a permanent item in eighteenth-century Bank finance, stood so high as £97,750.[5] But the Bank had a sound security in his silver, a security liquid enough in an emergency because any country would take it and the East India Company was generally eager to get hold of it.

The silver account does not however retain the same form con-

[1] *C.B. D*, 20 Aug. 1701.

[2] E.g. in 1749 beside a large sum of "gold for coinage" is a small sum (£7335. 4*s*. 5*d*.) of "bullion for the Mint": *Yearly Accounts*, 1729–1762: a summary volume from the Ledgers.

[3] The "Accompt of Bullion" for 1722 in *G.L. VII*.

[4] *C.B. H*, 9 Oct. 1718.

[5] *G.L. VII*, f. 220, 1 Sept. 1720. The date, near the crisis of the Bubble year, may explain it.

sistently. The silver bought in 1731 for example is entered under the names of the various sellers, not under Mocatta's, though he probably acted as broker, for there is a vote of that year authorizing the Court "to employ a person...and to reward him"[1] for silver buying. The sellers are an interesting group.[2] There are some of Mocatta's fellow Hebrews, Nunes, Da Costa, Corto. There is the Anglo-Dutch firm of Chitty and the Franco-English firm of Cantillon.[3] There is a Hanbury: the Hanburys of the thirties were not yet bankers but tobacco brokers in Tower Street.[4] Perhaps it was one of them: a tobacco firm might well have some American silver. And there is "Couts" and Co., who may be the merchant firm that became Coutts and Trotter.[5] Unfortunately for the curious historian, the Bank accountants were gradually getting into the habit of entering many purchases both of silver and gold under "Sundry", instead of giving all the sellers' names. The gold that is bought is usually labelled "for Coynage". The sellers whose names are given make a long and varied list—Dutchmen, Jews, but the great majority very pure English, Goulds, Godfreys, Hardings, Bickerdikes, Bashams.[6] This gold all goes to the Mint as before and comes back in great blocks of guineas—63,000; 80,000; 109,000. By the end of the thirties the "Accompt of Gold" has become the "Account of Bullion for the Mint".[7] The guinea has won and, however things may be in the remote provinces, in London men of importance are all thinking in terms of gold.

[1] *C.B. L*, 29 April 1731. [2] *G.L. VIII*, f. 632.

[3] No doubt the firm of Richard Cantillon, "the first economist", author of the *Essai sur la Nature du Commerce*. He was murdered by his valet in Albemarle Street in May 1734.

[4] Hilton Price, *A Handbook of London Bankers*, p. 77, under Hanbury.

[5] The Coutts firms have a very intricate history: partnerships were always changing. See Forbes, Sir W., *Memoirs of a Banking House* and Richardson, R., *Coutts and Co., Bankers*.

[6] *G.L. VIII*, ff. 627 sqq.

[7] *G.L. X* (1738–45), f. 205.

Yet silver had lost none of its utility to the Bank. London was gradually becoming the chief precious metal market of Europe, displacing Amsterdam.[1] Every extension of the British Empire, every North American colony settled, sugar island acquired, or trading opportunity in India utilized, had a bearing on the silver market and the trade in silver currencies. The Directors were still anxious to improve and simplify their part in it. In 1731 the Committee for the Treasury was once more instructed, as has been seen, "to employ a person" for silver dealing "and to reward him". How regular or intermittent such employment had been since it was first suggested more than thirty years earlier we cannot be sure; but the records, particularly the Ledgers, suggest that this vote may have been passed to regularize the practice of employing a Mocatta as silver broker.

No important change occurred in either branch of the trade in precious metals between the thirties and the sixties. Just as with the discounted bills, the records of the precious metals in the Bank Ledgers lose their personal character. We no longer know that Medina sold so many ounces, pennyweights and grains of gold, or that Mocatta had handed in a precise number of thousands of pieces of eight. The suppliers are generally grouped under "sundry", and statements that can be made about the treasure have become statistical. The holdings of silver by the Bank tend to decline, not absolutely but relatively to those of gold, as might have been expected. Plenty of silver passed through its hands, but there was no object in carrying important stocks. The gold, which it had coined regularly and needed for that purpose, would buy silver in an emergency. In the thirties and forties the Bank's balances normally show a few thousand pounds worth of "silver for coinage", "silver bullion at the mint" or just "bullion for the mint". But from 1750 evidence of this interest in silver

[1] Van Dillen, J. G., "Amsterdam marché mondial des métaux précieux au 17e et au 18e siècle", in *Revue Hist.* 1926; Wilson, C. H., "The economic decline of the Netherlands", in *Econ.H.R.* May, 1939.

coinage, which looks like an interest in small change, disappears. The silver money was going from bad to worse and the Bank may well have seen no sense in helping to get silver coined for the cullers and clippers. Besides, the coining of silver was intermittent.[1]

The position of its treasure in a year of peace, when gold had become the working standard, may be illustrated from the Balance of 1752.[2] Silver is represented by £413,131. 14*s*. 7*d*. of pieces of eight and some, no doubt small, part of the £195,700. 13*s*. 6*d*. of "out cash"—till money. Of gold there is £352,698. 9*s*. 4*d*. in foreign coin, moidores and what not; £200,222. 4*s*. 7*d*. in bars, and £65,079. 0*s*. 11*d*. "for coinage"—at the Mint or earmarked for it. Then there is the large accumulation of £1,689,000 in the "Treasury or Vault". Probably most, possibly all, of this was gold; but that is nowhere stated. There was as yet no formulated doctrine of a ratio between treasure and notes or liabilities: there was certainly no obligation on the Bank to equate treasure with gold. But it is interesting to observe that the notes in circulation on 31 August 1752, and payable on demand or at short notice, came to £4,750,359. 8*s*. 6*d*.; that the liability on the Drawing Accounts was £2,134,705. 8*s*. 3*d*.; and that, although most of the till money consisted of unissued notes, there was in hand £2,730,000 of hard treasure in all its forms.[3]

It was a mere accident that the stock of foreign silver happened all to be in pieces of eight at the moment of this balance. They

[1] In the whole reign of George II only £304,360 of silver was coined gainst £11,662,215 of gold: in many years no silver was coined at all.

[2] *G.L. XI*, f. 16.

[3] We know about the till money from some pencillings in the volume of *Yearly Accounts*. To get at the true note circulation, the man with the pencil has deducted the same figure from "notes issued" and "cash", i.e. that of notes which have not yet left the tills for circulation. The figure here given for circulation is his. It includes the seven-day bills but excludes the notes in the "cash".

were the coins most often handled, but other types occur, and there was a regular buying and selling of silver ingots. The price of silver is never below 5*s.* an ounce for coined silver or above 5*s.* 4*d.* for ingots.

It is only in these last years of the period now under review that an absolutely precise record appears of the Mocattas being the Bank's bullion brokers. By vote of 27 March 1760, Abraham de Mattos Mocatta, "the present broker to the Bank", is to abandon all brokerage or gratuity in connection with his dealings in return for £150 a year—less than the sum suggested sixty-five years earlier.[1] Abraham agreed but was not content. When three years later he took A. I. Keyser into partnership he got the vote rescinded, standing out for 2*s.* 6*d.* per cent brokerage on silver transactions and 1*s.* per cent on transactions in gold, with a guarantee that his firm's takings should not fall below the £150 in any event.[2]

The main everyday working parts of a modern banking system —deposit, "running cash note" and "drawn note"—the Bank of England simply took over from the goldsmith bankers. One Court vote of November 1696 implies on the face of it that the conveniences which the Bank offered to depositors had been defective at an important and obvious point during the first two years; but it is possible, indeed probable, in this as in some similar cases, that the vote does not start a policy but only sanctions and regulates one that had grown up to meet daily needs during those years. It runs thus: that depositors shall "have liberty to transfer any Sume from one Account to another not under £5...and that the party so transferring shall keep a private Book of his own", which the Cashiers are to write up.[3] The vote was publicly announced. This facility of transfer from account to account was one of the best known conveniences

[1] *C.B. Q*, 27 March 1760. [2] *C.B.* R, 29 Sept. 1763.
[3] *C.B. B*, 20 Nov. 1696.

offered by the Bank of Amsterdam, and it seems unlikely that the Bank of England had not permitted it from the start. The date of the vote, towards the end of a difficult year, and the fact that another section of it underlines a recent "deflationary" rule, that no notes are to be issued for any less sum than £50, suggest that the thing aimed at was not the giving of an entirely new convenience but the limitation by the £5 clause of an existing informal and unregulated practice of transfer.[1]

However that may be, from 1696 at latest the depositor had all the freedom that he could reasonably desire. He could transfer from his account by simple "write off", as the phrase was and is, and he could "draw notes" upon it. When authorizing someone else to operate on his account, the words that he commonly used all through the eighteenth century were "to write off or draw" from it, sometimes "to write on and off or draw".[2] His notes he drew at first in the old polite but condensed epistolary form, and indeed continued to do so, in some instances, for very many years. One addressed to Thomas Speed, the Chief Cashier, on 12 June 1696 runs: "Mr Speed, Please pay unto Mr John Lambert or Bearer on Demand—£115. 17*s.* 0*d.*"[3] But during the next twenty years the Bank, in this an innovator, gradually induced a great proportion of its clients when drawing to utilize its "cheque" paper—or better in the modern American spelling its "check" paper. For this got its name not because it was chequered but because it was something printed so as to serve as a check, at once a counterfoil and evidence that its user was

[1] Anderson (II, 629) mentions this announcement and describes it as "adopting the method of Amsterdam". He suggests that it was "for the convenience of trade, while the silver was re-coining". This may be the whole explanation. Certainly this was the first public announcement of the policy; but the explanation suggested above seems at least likely. Francis (*History of the Bank of England*, I, 77) copies Anderson.

[2] There is a series of the original authorizations from 1721 preserved in *Register*, *No. I*.

[3] Quoted in *Books of Sealed Instruments which have passed the Chair*, I, f. 40.

a bona fide client of the Bank with a balance. Only such people could get the paper. The printed slips had some scroll-work at the left-hand end. This could be cut through, leaving part on the "cheque" and part on the "counterfoil"—the real "check".[1]

After some years of experiment with the new paper, the Court of Directors, on 24 October 1717, having just given instructions that "drawn notes"—that is still the regular term—shall not be paid to "any person who shall not make himself known", expresses its wish that "all persons who keep accounts by drawn notes" shall make use of cheques.[2] Evidently many people still keep accounts who do not draw. And of those who draw not all use the cheque paper. It may be recalled that when the Royal Bank of Scotland began its connection with the Bank of England, ten years later, it was sent a stock of cheque paper, and that it hastened to report that its cashier always used it when he drew his "bills".[3] What proportion of the private "drawn note" business was done on cheque paper at this time, or in the forties, or in the sixties, there is no means of knowing. All that is sure is that the proportion grew.

The depositor could also give an instruction to pay someone a yearly amount "without any further order from me". This is an obvious arrangement; but it is at least curious to know that the first surviving banker's order of this sort is from 1739, and is signed by Sarah, Duchess of Marlborough.[4]

Compared with its liability on notes, the Bank's liability on drawing accounts was very small in early days and always subordinate. When the balance was taken on 31 August 1698, for example, there were liabilities of over £1,340,000 on notes and bills against only £100,000 on drawing accounts. By 1721 the corresponding figures are £2,205,000 and £1,108,000; in 1741,

[1] For the history of the word the *O.E.D.* is decisive. An early cheque (of 1740) survives in *Register, No. I.*

[2] *C.B. G*, 24 Oct. 1717.

[3] *Copies of Letters*, f. 122.

[4] The original is in *Register, No. I.*

£4,168,000 and £3,203,000; and in 1761, £5,610,000 and £1,913,000.[1]

After the first twenty-two years, during which great use was made of the interest-bearing sealed bills, and a much more limited use of specie notes proper, the short-lived "notes on marbled paper" and the accountable notes, the great mass of bank paper consisted in bank notes as now understood—promises signed by the Chief Cashier to pay A. B. or bearer a given sum. Besides these, from 1728 the Bank issued bills payable at three days' date—later at seven days.[2] Such "post bills" were designed to reduce the great risks of highway robbery of the mails. An ordinary note, if stolen, was easily cashed by the thief. A seven-day bill was not. But the post bills were relatively unimportant. Some of the original "running cash notes" had borne interest. So early as September 1696 the Court decided "that no interest be allowed on running cash notes";[3] but that did not settle the matter. In January 1698 it is decided that there shall be "no interest for Running Cash" on any note issued after 1 February.[4] Yet so late as April 1701 the Court is again voting that there shall be no "cash-notes at Interest...till further order".[5] Apparently special circumstances, or personal favour, led to the issue of such notes in spite of votes to the contrary. The point is curious rather than important: for, as the ledgers show, considerable sums were never paid out in interest on these notes,[6] and after the vote of 1701 no fresh issue of them is heard of.

The sealed bill continued in use rather longer;[7] interest-bearing

[1] From the *General Ledgers* and the *Yearly Accounts*.

[2] By vote of 24 Oct. 1728: *C.B. L*. In the annual statement for 1729 the three-day bills stand at £40,201. 7*s*. 4*d*. They never rose much above £100,000. The seven-day bills begin in 1739 and the outstanding balance of the three-day dwindles away to insignificance.

[3] *C.B. B*, 29 Sept. 1696.

[4] *C.B. C*, 5 Jan. 1698.

[5] *C.B. D*, 11 April 1701.

[6] See p. 24 above.

[7] The last reference—no more issue till further order—is of 8 June 1716: *C.B. G*.

"specie notes" were revived for a time to meet the special emergency of the South Sea crisis;[1] and the "accountable note" is referred to for many years. In 1725 the ledgers record a liability for £58,737. 10*s*. 8*d*. under this head, and in 1726, £64,298. 5*s*. 11*d*.; it rises to £109,856. 3*s*. 11*d*. in 1729, but after that the entry dwindles. Less than £14,000 by 1738, it settles down from the balance of 1741 at an unchanging £700. 1*s*. 9*d*., a figure evidently representing old liabilities which, through the ignorance or forgetfulness of depositors' representatives, the Bank was never called upon to meet.[2]

As might be expected, such lingering liabilities are often found in the records of the "true" bank notes, the specie or Cash Notes as they are usually called in the balances and ledgers of the mid-eighteenth century. The oddest cases of all occurred in connection with those notes for uneven amounts which were issued freely during the early years. Just as a man of to-day might leave some trifling balance at a bank and forget about it, so men of the early eighteenth century who had received notes for large odd amounts, by them deposited, might cash out even amounts from these, leaving odd remnants due. This explains the "notes" (remnants of notes) for 10*s*., for 4*s*., for 6*d*. that appear in a curious book which covers the transition years from the seventeenth to the eighteenth century.[3] In 1700 a certain Sir Thomas Cudden claimed to have lost a "note" for 6*d*.[4] and, if the clearing books are to be trusted—no books were harder worked or more carefully scrutinized—a "note" for 6*d*. still outstanding in 1762 was only cleared on 24 May 1808.[5]

These are the curiosities, the light relief, in the serious and at times rather sombre history of the bank note. The note for an irregular amount itself appears less and less frequently after the

[1] By vote of 30 Sept. 1720: *C.B. H.*

[2] Figures from the *Yearly Accounts*.

[3] *Clearing Note Book*, 1, 1697–1709.

[4] "*Old Clearer*" [a much handled book], f. 1.

[5] "*Old Clearer*", f. 148.

earliest years. Of 235 notes referred to in the *Clearing Note Book* under the year 1701, forty-nine are for odd amounts: in 1707, out of 107, nineteen. In 1721–3 out of fifty-six notes lost or burnt only seven are for odd amounts;[1] and by 1763–8 of 154 so destroyed there is only one.[2]

The round sum note was dominant from the very first. All those mentioned in the *Clearing Note Book* for 1698 are for multiples of £5. Under 1701, eight £100 notes are referred to consecutively. On 30 June 1707 Cyprian Thornton—a good City name—took one note for £2000, seven for £500, and six for £100. On 5 February previous Edmund Clarke had taken three for £100, one for £50, four for £25, four for £20 and three for £15.[3] Those are thoroughly representative bundles of notes taken out for use by depositors at the Bank in Queen Anne's day. Subsequently notes for less than £20 became so rare that when the Bank began a regular issue of £15 and £10 notes, in 1759, contemporaries referred to them as though they were a novelty.[4]

And how widely were notes used? What was the radius of the early eighteenth-century Bank of England note? There is no complete answer, but facts which provide at least a partial answer are to be found scattered about the records of the Bank. On the whole they enforce the traditional opinion that the notes of this "Bank of London" were used mainly by Londoners or by people who, like the members of the two Houses of Parliament, were in regular touch with London. At the same time they reveal a use of Bank notes, though perhaps only an occasional use, very widespread geographically, and suggest that before the general rise of country banks and the extensive issue of country bank notes, during the decades following 1760, the Bank of England

[1] *C.B. I*, Index under Bank Notes lost or burnt, and the relevant entries.

[2] *C.B. R*, Index as above.

[3] *Clearing Note Book*, ff. 626, 550.

[4] E.g. Anderson, III, 308. The novelty was the regular printing of such notes; Acres, I, 186. The vote for the issue of Notes and Post Bills for these amounts is of 29 March 1759: *C.B. Q*.

note may have had a relatively more extensive circulation than it enjoyed during that later and better known period.

The most useful source of evidence is the record of notes lost, burnt or defaced, whose owners asked for compensation. For the period down to 1764—and rather later—these records are complete. They give the name of the applicant, his address, and sometimes even the circumstances of his loss.[1] In the earliest years the numbers are hardly great enough to argue from; but by the twenties of the eighteenth century we have a fairly large sample of note losses. It is not unreasonable to suppose that losses were more or less proportioned to use. At least we know for certain what proportion of the losses were incurred by Londoners and by non-Londoners, and to what places Bank notes had penetrated, to be lost there.

In the two and a half years from June 1721 to December 1723,[2] fifty-six claims were considered. (Of these forty-nine were for notes in multiples of £5, the smallest being £20.) Thirty-six of the losers have London addresses, in the wide sense, but mostly from inner London, "within the bills of mortality" as the phrase then was. Second—and this agrees precisely with the trade conditions of the day—comes Bristol, with seven losses. These Bristol losers present sealed affidavits of loss from the Mayor, which suggests that in this great centre of the West Indian and Peninsular trades Bank of England notes were familiar enough and losses common enough, for a regular procedure of claim to have developed.

No other town has a similar bunch of losses. There are four or five losses from the Home Counties. The most remote are—one from Cornwall, one from Carmarthen, one from Newcastle and two from Ireland. Single losses from Exeter and Nailsworth

[1] From 1774 the addresses are sometimes omitted; from 1779 they are no longer given.

[2] *C.B. I.* The claims are scattered all through the Book and can be traced from the Index.

suggest, what in itself is inherently probable, that there was some circulation of notes in the "clothing" districts of the South-West. The idea of extending the West Country circulation had been entertained at the Bank Parlour in 1696;[1] and these Bristol and Exeter entries indicate that it was not unreasonable.

The absence of a recorded loss in any place proves little. The proportion of losses to circulation was always tiny. But the London figures for these and other years—and common sense—show that a certain amount of loss always accompanies extensive use; so that "no loss, no extensive use" is a valid statement.

A copy of a letter has survived which both illustrates the use of notes at this time in important places where none were lost and increases the historian's regret that so much of the early correspondence of the Bank has disappeared. It is an angry letter from Hugh Mason, the Customshouse, Hull, dated 4 September 1724.[2] "I always had a great Honour for your Notes payable to the Bearers, who were often German Horsebuyers or other strangers, that I readily supplied with Money for them, and a Gentleman last Midsummer Day brought me one for £313. 2*s*. 6*d*." Mason cashed this note in gold. He had been done over it. Apparently it was a forgery or in some way irregular. He is claiming compensation. If he does not get it he will have "a good plea for dishonouring them for future"! If "the King's Collectors at a distance must pay for these cheats—whores and rogues will make a practice of it."[3]

Mason's letter points to some other things besides the use of Bank notes in Hull. Evidently the honest "German Horsebuyers or other strangers", moving and buying about the country, found it convenient to supply themselves with Bank notes "payable to the Bearers", which implies, and would stimulate, a certain country circulation. But, so far as this bit of evidence goes, the main use to them of such notes may have been to pay export

[1] See p. 41 above. [2] *Copies of Letters*, f. 96.
[3] In *C.B. Q* and *C.B. R.*

customs duties—of which a fair number survived—or other dues to His Majesty's Collectors. In the provinces as in London, an important function of the Bank note was to make tax payments; and many of the Bank's most active provincial clients were Collectors and Receivers-General of taxes.

The radius of circulation extended slowly and hardly deserves to be studied decade by decade. Two full returns of notes lost between 1757 and 1768 will serve to indicate the situation at the end of the period when country bank notes were still rare and the Bank had a maximum provincial field open to its paper.[1] The first covers the years 1757–63. It deals with 97 losses, of which two-thirds were by Londoners—tradesmen of every sort, for the most part. More than half of the country losers are gentlemen, clergymen, and so on—people who had, or may well have had, social contacts with London. But there are losses in new and sometimes in unlikely places, and losses by provincial merchants and tradesmen, specified as such. Among the remote or rather unlikely places are Ramsey in Huntingdon; King's Lynn; Long Melford; Blandford in Dorset; Newcastle-under-Lyme; Berwick-upon-Tweed; Barbadoes; the Hague (the note was lost overboard from the Dutch packet); and Wilna in Poland (but the man who lost it there was now in London). Among the specified business men are a merchant from Douglas, Isle of Man; a Cambridge vintner; a Plymouth victualler; a button merchant from Macclesfield; a Yarmouth draper; and a grazier from Gritworth in Northamptonshire. The Bank of England note can be lost in half the counties of England, though not in many north of Trent.

The second list (1763–8) contains notes lost at greater distances and by a greater variety of individuals. A saddler's ironmonger of Bristol; a tanner from near Rotherham; a calico-print cutter of Croydon; a linen-draper of Andover; an Oxfordshire chandler; a Somerset shopkeeper and another from Sussex; a merchant from Haverfordwest; a stationer and printer from Gloucester; a

[1] The lists are of the note losses recorded in *C.B. Q* and *C.B. R*.

stage-carrier of Biggleswade and the postmaster of St Albans; a Leicester hosier; a mercer of Danehill in Sussex; and a doctor of medicine at Chichester are the most interesting occupational entries outside London. There is a note lost at sea on the way to Dublin; another lost at an address which anticipates rather unexpectedly the birthplace of David Copperfield and was in fact the birthplace of "Parson Malthus", The Rookery, Dorking;[1] a third lost at Amsterdam. Two Yorkshire gentlemen have lost notes; also a gentleman of Trinity College, Oxford, and another from Montgomeryshire. A spinster makes appeal from Exeter and so does a Gloucestershire gentleman whose Bank notes have been eaten by vermin.

Metropolitan losses are round about two-thirds of the whole. The ratio had been approximately the same in 1721–3 and in 1757–63. The "Bank of London" was still not an inappropriate term. There is not much evidence of Bank notes finding their way into the rising industrial Midlands or the North, where the textile inventions were just being made. Yet these various and scattered losses certainly suggest a more important provincial circulation than had been supposed. And Bank notes must have been well known and more or less current in innumerable places where none were lost, burnt or eaten of vermin. The inference "no loss, no extensive use" remains true; but it must not be forgotten how huge London was and how dominant in the economic life of the mid-eighteenth century. Some other important town might well have used Bank notes as freely as London and yet have lost on the average only one or two a year.

The story of the deposits, loans and discounts and the story of the note circulation illustrate the growth of the Bank's general business. But they make clear also the very great dependence of

[1] Its name had been changed from Chertgate Farm to The Rookery by Daniel Malthus who bought it in 1759. Keynes, J. M., *Essays in Biography*, p. 99.

even that business on its connections with the state. Collectors of Customs and Receivers-General of Taxes keep accounts with it, remit money to it, draw bills on it which can be discounted, and may have "Great Honour" for its "Notes Payable to the Bearer". They are not obliged to do this. In 1711 the Bank is complaining that most of them employ private bankers.[1] But it always had some of their accounts. Nor was there any rule that those in charge of the great national accounts should keep them with the Bank; but some had done so almost from the first and it was natural that others should follow. During Marlborough's wars the Paymaster of the Army, the Paymaster of Guards and Garrisons, the Treasurer of the Ordnance Office and the Treasurer of the Navy all have accounts at Grocers' Hall. When, in the forties, William Pitt the elder appears with a long and active drawing account it is because he is now Paymaster-General of the Forces. John, fourth Earl of Sandwich—Jemmy Twitcher—has an account in 1750–3: until 1751 he is First Lord of the Admiralty. At the same date Sir William Milner, Bart., has a huge account as the chief official in the Excise Department. Excise and Customs, besides the Army and the Navy, had kept their accounts long before that. As a rule all such accounts appear as though they were personal: their departmental origin must be ascertained by examination of their contents or knowledge of the career of the man in whose name they stand. When he is a Pitt or a Sandwich this is easily got; but had Jno. Waple Esq.—by a fortunate exception—not been described in the Index of Drawing Accounts for 1750–3 as Accountant-General of the Court of Chancery, or William Ward, in a later Index, as being "of the Post Office", a little research would have been necessary before it could have been made clear that the Court and the Office both keep accounts—though not necessarily all their money—at the Bank.

[1] *Treasury Papers*, CXL, 4, quoted in Philippovich, E. von, *Hist. of the Bank of England* (*U.S. National Monetary Commission*, 1911), p. 157.

The personal nature of official accounts is well shown in an order to the Bank signed on 25 May 1743 by Martha, widow of Admiral Sir Charles Wager. It runs—"Permit Mr Wm. Corbett of the Pay Office to draw for the Cash remaining in the Bank in the name of the Rt. Hon. Treasurer of H.M. Navy now deceased, to whom I am sole Executrix".[1]

In war-time, and to a less degree in time of peace, the Bank would do business in the discounting of Navy bills, or of bills drawn on the various authorities of the Army on account of expeditionary forces or garrisons abroad. This was a business that had to be watched carefully by the Court or the Committee in Waiting. There were also bills drawn by agents of the East India Company, which if not exactly a department of state was already an organ of national power. The South Sea Company, another semi-public institution, like the East India Company had a long and very active drawing account. In war-time particularly, and after Walpole's peace the mid-eighteenth century saw plenty of war, a very considerable part of the business of deposit and discount must always have been of this public or semi-public character. How great a part there is no means of knowing; but there would be nothing surprising in the discovery that in war it was much the greater. Even in time of peace, as in the years 1750–3, a large proportion of the longest and most active accounts are either demonstrably or probably those of official people, or are those of the great companies. There are, however, some very active accounts of private business men, many of them Jewish or Dutch; an account whose activity explains itself, that of Messrs Puget, gold refiners; and an exceedingly active account of that now fully risen banking firm, Freame and Barclay.[2]

James Barclay, whose name first appears in the Bank books in 1738, was a Scot, grandson of the Scottish Quaker apologist,

[1] *Register, No. I.* For Admiral Wager, see the *D.N.B.*

[2] For examining and reporting on these accounts I am in debt to the staff of the Bank's Record Office at Roehampton.

Robert Barclay. Accounts in the names of obvious Scots were very rare during the thirties, though Campbells and Coutts were already well known in the City. The only certain Scottish name on the Bank directorate between William Paterson and a Maitland in the nineties is that of Sir Francis Forbes, who served for a few years from 1729. A complete sifting of the Drawing Accounts might yield a few more early Lowland names; but the first Highlanders, barring Forbes, are one Aeneas McPherson and a McLean, whose names appear not so very long after that ugly year 1745 when the Macs were not popular in London. Lowland or Highland, no Scot except James Barclay had an important account with the Bank, and very few accounts at all, before 1753. There was to be a striking change in the next twenty years. The Drawing Accounts Index for 1770–2 will show its Grants, its Hamiltons, its Herries and its Inglis; with Sinclairs, Ogilvies, Maxwells, and a whole range of Macintoshes, Mackenzies, Macleods, Macdonalds and Mackays.

Down to the sixties, then, Scotland or Scotsmen, with the men of the English and Welsh shires, provided only a small amount of business for the Bank as compared with London Jews, or half-London Dutchmen, or the companies and merchants and shopkeepers of the City, men of mixed origin with a strong dash of Huguenot blood. But all the private trade was usually a small thing, compared with the business done directly or indirectly for government.

For the year 1744 Adam Anderson, the annalist of commerce, made a calculation of how much of its income the Bank drew from interest on long-term loans and how much from what he called "mere banking".[1] He was competent in such matters: for forty years he was a clerk in South Sea House. There were some things that he could not know, but many of the facts were matters of public knowledge and his conclusions were not far from the

[1] Anderson, III, 244.

truth. His starting point was "that for several years past" the Bank had paid out £539,000 as its dividend, a dividend of 5½ per cent. From this he deducted what he reckoned the Treasury paid to it under the various Acts of Parliament by which its capital had been sanctioned, augmented or consolidated. He exaggerated the figure slightly, but his error was not serious. The sum was, as he said, upwards of £400,000. If he overestimated this source of revenue, he inevitably ignored the hidden reserve of undivided profits, that nest-egg entered in the early account of profit and loss as "balance for gains resting", which in course of time, of long time, when these things became public, would be referred to as the Bank's Rest.[1] His ignorance was however not important. The "gains resting" did increase—from £352,286 to £369,630—between August 1743 and August 1744: the Bank was not dividing up to the hilt. But they fell in 1745. For the whole decade of the forties they were approximately stationary; and 1744 was the peak year.

Anderson concluded that "the clear annual profits of the Bank by their money concerns with the public and by all their other certainly known banking concerns"[2]—this was his extended definition of "mere banking"—would come to £107,000, no more. No adjustment of his figure could bring it above some £125,000. It includes, among "money concerns with the public", the profit from "circulating of the government's Exchequer Bills"—which in the Annual Statement for 1744 was returned at £105,000.

[1] The Rest appears in the *Ledgers* and *Yearly Accounts* as a balance carried to the Profit and Loss Account, e.g. for 1745 *G.L. X*, f. 760 and for 1762 *G.L. XIII*, f. 11. Francis in his *History of the Bank of England* (1848), I, 146–7, said that the Bank started a reserve fund or "Rest" in 1722. His statement has been copied by most writers since. Richards, in his *First Fifty Years of the Bank of England* (p. 272), was the first to discuss the Rest without repeating it. There were balances carried to Profit and Loss long before 1722 and there is no vote establishing a reserve fund anywhere in the Court Books. Cp. Appendix C.

[2] Anderson, III, 245.

Strictly private trade was confined to the trade in bullion, which yielded very little profit, the private loans, the discounts, and not much else. This business was at an unusually low level in the mid-forties. For the year ending with August 1744 the loans and discounts brought in only £4732, and a year later they are entered at £5338. In 1747–8 they would yield £14,869 and in 1753–4, £32,821.[1] But that did not go far towards paying the dividend, even though the dividend was reduced in 1747 from 5½ to 5.

Anderson closed his discussion by reflecting that "some might possibly be so very inquisitive as to form conjectures (for they can be no other) concerning the proportion which the quantities of ready cash always necessary to be reserved—for the circulation of all their cash notes and credit of accounts—bears, or should bear, to the total amount of those cash notes and credit". He was not so inquisitive. He thought that this proportion "may be properly termed the fair and reasonable mystery or secret of all banking". He could "see no benefit which can arise by any such minute enquiries, to the generality of men". Indeed he did not "apprehend them proper to be enquired into at all, without there should be any reasonable suspicion of fraud".[2] This was the Bank's view. No figure of accounts was ever made public.

Had anyone wished, and been permitted, to make the inquiry into the "reasonable mystery" he would have found that in the middle of the eighteenth century and in a year of peace (1752) against liabilities on "cash notes and credit of accounts" amounting to £6,885,000 the Bank carried, as has been seen, £2,730,000 of hard treasure, the various forms of gold and silver that it would later lump together as bullion.[3] In 1729, a quiet year of an earlier phase in its history, it had £2,314,000 of treasure against liabilities

[1] Figures from the Profit and Loss statements in the *Yearly Accounts*, I. The entries, other than those quoted, on the credit side are "General Interest on Tallies" and "Stamps on Transfers". See App. E and Clapham, J. H., "The private business of the Bank of England, 1744–1800", *Ec.H.R.*, 1941.

[2] Anderson, III, 245.

[3] See p. 140 above.

of £6,119,000 on notes of all kinds in circulation and its drawing accounts. For the year on which Anderson based his reckoning, a year of war, the situation was appreciably weaker—£1,832,000 of treasure against £7,257,000 of these liabilities. Yet it is interesting to notice that although the Bank did not keep, and never had kept for any length of time, the ratio of treasure to immediate liabilities that Nathaniel Trench had "guessed" early in the century, namely 50 per cent,[1] in the later of these mid-century peace years the ratio is all but 40 and in the earlier nearly 38. In the war year even it is just over 25. There were far worse statements than that, when the Bank was hard pressed in difficult times; but at the balance of August 1762, towards the close of the Seven Years' War, this ratio again stood at 38. Without professing any doctrine of a ratio, it is evident that the Bank Court of the eighteenth century did not neglect the practice.[2]

[1] See p. 62 above.

[2] The balances of the Drawing Accounts were not the only "deposit" liability. There were also unpaid Bank dividends and dividends on the funds paid in but not yet paid out. By the fourth quarter of the century these liabilities together were rather greater than that arising from the Drawing Accounts (see Appendix C). Between 1730 and 1760, with a smaller National Debt, they would be much less.

CHAPTER IV

THE BANK AND THE BANKERS, 1750–1797

ON the authority of Edmund Burke, we have very often been told that when he left Ireland for England in 1750 there were not yet a dozen "bankers' shops" outside London.[1] Twelve years later a fairly well-informed pamphleteer suggested that there were four or five hundred private bankers—not "bankers' shops"—in Great Britain.[2] Neither Burke nor the pamphleteer was precisely informed. One thought of firms and one, it appears, of men. The pamphleteer was probably a Scot: he included Scotland. Burke did not. And the pamphleteer included the London bankers, a very considerable group, since nearly all firms had several partners. Yet the two impressions do reflect clearly the importance of the fifties and early sixties of the eighteenth century for the development of British banking.

It may be assumed that Burke was thinking of fully organized and perhaps of note-issuing banks. A man in his position could hardly know about all those merchants and others who were half bankers but not yet specialized to the trade and not yet issuers of notes. The pamphleteer may have had some of these in mind. The Gurneys of Norwich, it has been said, had been "essentially bankers" from the seventeenth century: their bank as a separate business dates only from 1775.[3] John Coutts and Co. of Edin-

[1] Burke, *Regicide Peace*, *Works* (two-volume edition), II, 293.

[2] The author of *An Essay on Paper Circulation*. See p. 99 above.

[3] Matthews, P. W. and Tuke, A. W., *A History of Barclay's Bank* (1926), p. 104.

burgh are spoken of as bankers well before 1750, but they did not issue.[1] So one might go on. In 1750 the country was full of firms—shopkeepers', corn merchants', general merchants'—out of which things labelled "bank" were to spring during the next fifteen to twenty-five years. It is usually impossible to know at what stage of development they were in any given year, what banking conveniences they were offering their customers, and whether these were wide enough, or used by enough people, to justify the banker's name. Yet between 1750 and about 1765 there was certainly a great expansion in banking activity, in the number of banking firms, and in private issue.

The whole banking business was still rather fluid—even in London where it was something like a century old. Men went into it, came out of it, or failed at it very frequently.[2] The banker and the speculative dealer in goods or stocks were not yet completely divorced. In London there was a group of old stable houses and a wide fringe of newcomers, some of whom became stable and some did not. So far as is known, in those fifteen years the number of London's banking firms at any one time varied from about twenty to about thirty, with a maximum of eighty to a hundred partners. By the seventies the firms had expanded to approximately fifty: by the close of the century to nearly seventy.[3]

That Burke omitted Scotland and his native Ireland is important. Scotland had a relatively well-developed banking system by 1750, and it seems—though the evidence is obscure and needs sifting—that Dublin had several note-issuing private banks.[4] The core of the Scottish system was made up of the Bank of Scotland, or Old Bank, of 1695; the Royal, or New, Bank of 1727; and that

[1] Richardson, R., *Coutts and Co., Bankers*, p. 43; Kerr, A. W., *A History of Banking in Scotland*, p. 58.

[2] The changes in the lists compiled by Hilton Price in his *Handbook of London Bankers* are rapid and continuous.

[3] Between 1763 and 1801 Price gives lists for twenty-two years.

[4] Hume, *Essays*, in the Essay "Of Money", refers to Dublin notes. And see Dillon, M., *Banking in Ireland* (1889), p. 21.

two-faced body, the British Linen Company of 1746. Formed to encourage the industry whose name it bore, the Linen Company had agents all over the country, and when in 1750 it began issuing notes they were easily circulated.[1]

The Bank of Scotland, like the Bank of England, had issued notes, from £100 down to £5 sterling, from its foundation. These were too big for the scale of Scottish business at that time. Not until 1704 did it issue that note for £12 Scots, or £1 sterling, which became the characteristic unit of currency in modern Scotland.[2] The Royal Bank, when it came, did the same: in 1730 its till money "was mainly in paper".[3] So did the British Linen Company and most Scottish banks after it, many for a time also issuing notes of far smaller denomination.

Besides Coutts' there are three Edinburgh firms described as private bankers before 1750, but not much is known about the early years of any of them.[4] Glasgow merchants, there is good reason to think, dealt in bills—a prime function of early Scottish banking—and accepted deposits.[5] (Merchants all over Europe had done both since the Middle Ages.) Banking enterprise was favoured, in the poor country that Scotland then was, by a legal situation which put no limit to the numbers in a business partnership. No charter or special sanction was needed for the foundation of a company however large.

Expansion in Scotland began in the late forties and went on vigorously in the fifties. One of the private banks just referred to—Kinnear and Co.—dates only from 1748.[6] In 1749 came the Banking Company at Aberdeen, the earliest private Scottish company to issue notes. That same year the Bank of Scotland

[1] They were interest-bearing notes at first; Munro, N., *The History of the Royal Bank of Scotland* (1928), p. 110.

[2] Kerr, p. 27; and see the full accounts of the Bank in Scott, *Joint Stock Companies*, III, 253–74 and Graham, W., *The One-Pound Note*, Ch. I.

[3] Munro, p. 73. [4] Kerr, pp. 62, 71.

[5] Forbes, Sir W., *Memoirs of a Banking House*, pp. 5–9.

[6] It used the notes of the Bank of Scotland: Kerr, p. 71.

promoted the establishment of the first regular Bank in Glasgow, the Ship Bank. Then its competitor the Royal, which had special Glasgow connections, fathered a Glasgow Arms Bank. In the fifties, ten or a dozen new private banks of sorts opened their doors in Edinburgh. Companies or individuals began to issue notes there, at Glasgow, and further afield—in Perth, Falkirk, even Stornoway; so that in the early sixties there came that short and curious phase of Scottish banking history which saw the 1*d.* note —one shilling Scots—and ended with the Act of 1765 (5 Geo. III, c. 49) which forbade the issue of any note for less than £1 sterling "in that part of Great Britain called Scotland".[1] What was to be the characteristic Scottish currency unit was also from this time the smallest legal fiduciary unit; and a precedent had been set for the statutory regulation of note issue, though as yet only in one part of Britain. The law was following its traditional way, by abating such a demonstrable nuisance as the note for 1*s.* Scots, without worrying about any general theory of banking nuisances or conveniences.

How few the "regularly constituted country banks" were in England up to 1750 is shown by the claim to have been the earliest of them put forward on behalf of one that took form in the decade preceding 1755 and issued its first notes in that year.[2] The claim can hardly be maintained; but if "regular constitution" or note issue before 1750 are to be the tests, it would not be at all easy to find six towards Burke's "not a dozen". Smiths of Nottingham, Gurneys of Norwich, the "Old Banks" of Bristol, Gloucester and Stafford, and perhaps one or two more would be among the claimants; but some irregularity of constitution might well be proved against every one; and of private country issue before 1750 there is, as in Scotland, no quite conclusive evidence.

[1] Based on the histories quoted above; for the banking phase of the early sixties, see p. 241 below.

[2] Phillips, M., *A History of...Banking in Northumberland, Durham and North Yorkshire* (1894), p. 24, referring to M. White Ridley and Co.

At Bristol for example, a city in commercial importance second only to London and long acquainted with Bank of England notes, local notes are first recorded from 1753, though they may have existed earlier.[1] Scotland was in the favourable position, from the standpoint of banker or banknote user, of having its capital within a stone's throw of what was already its commercial, and was to become its industrial, headquarters, on Clydeside, and of owning two old and one new public bank of issue, statutory or chartered, against England's one.

In England as in Scotland, the fifties and early sixties saw a number of private banks founded and mercantile firms developing their banking side. By 1753, when its local notes are first mentioned, Bristol had two banks. At Norwich we hear of a bank in 1756 and another in 1768, before the banking side of the Gurney firm had specialized out.[2] At Cambridge, Mortlock, a cloth-merchant, seems to have been at least an informal banker before 1760. In Birmingham, Sampson Lloyd of the iron trade, who was connected by marriage with the Barclays of Freame and Barclay, joined with a Taylor who made buttons and japan ware to start Lloyd's bank in 1764–5.[3] Away in Somerset, Samuel Stuckey was building up a mixed mercantile and banking business about the same date; and in Cornwall the Bolithos were doing bankers' work on the foundation of the tin trade.[4] These are names of firms that survived and have an early history, though generally a rather vague and obscure one. Those that have left no memorial, the shops and little warehouses that called themselves "the Bank", began circulating their notes and then broke, cannot be enumerated: in the forty years from 1753 to 1793 they were

[1] Cave, C. H., *A History of Banking in Bristol* (1899), p. 10. For Bank of England notes in Bristol see p. 147 above.

[2] Matthews and Tuke, *Barclay's Bank*, pp. 104–5.

[3] Lloyd, S., *The Lloyds of Birmingham* (1907), p. 32.

[4] Saunders, P. T., *Stuckey's Bank* (1928), p. 1. For Mortlock and Bolitho, now both part of Barclay's, the source is Matthews and Tuke.

certainly very many. In the crisis of 1793 alone it is believed that about a hundred of them put up their shutters.[1]

Creation and specialization of banking firms went on continuously in the twenty-five years from 1765 to 1790, with the great expansion of British trade and the start of the familiar revolutions in industry. After the specializing out of the Gurney banking business in 1775, Gurneys with Peckovers and Birkbecks are found in local banks all over East Anglia. In Manchester, where merchants had done some bankers' work for a very long time, the first regular bank is founded in 1771.[2] At Leeds, Beckett's bank dates from the seventies.[3] So do banks that were to prove durable in many other places. By the early nineties, Northumberland, Durham and the North Riding of Yorkshire have twenty-five banks. Of these twenty-five, it is believed that twenty-three issued notes.[4] Probably that was something like the proportion for the rest of England and Wales. All banks were necessarily private partnerships—necessarily, that is, according to the interpretation current in the eighteenth century of the Bank's monopoly of joint-stock banking.

Three events of the seventies were of outstanding importance in banking history. London bankers mostly ceased to issue notes: they found that the Bank note and the cheque met their needs.[5] Parliament, following up its similar legislation for Scotland, in 1775 forbade English bankers to issue notes for less than £1, and in 1777 for less than £5: the member who introduced the Bill of 1775 spoke of 5*s.* and even 6*d.* notes in Yorkshire.[6] Beyond the Border, the Bank of Scotland, in 1774, tried for the third time

[1] No exact figure is known: for the wholesale failures see p. 260 below.

[2] Grindon, L. H., *Manchester Banks and Bankers* (1877), p. 4.

[3] Wm. Beckett told the *Committee on the Bank of England Charter*, 1832 (*A. & P.* 1831–2, VI, Q. 1234) that his firm was about fifty-eight years old.

[4] Phillips, p. 57.

[5] Not quite all ceased then: the last note preserved at Child's is of 1793; Macleod, *Theory and Practice of Banking*, I, 284.

[6] Acts of 15 Geo. III, c. 51, and 17 Geo. III, c. 30. Macpherson, *Annals of Commerce*, III, 578, for Yorkshire. Cp. Smith, *Wealth of Nations*, I, 309.

the experiment of opening branches. It had failed twice, once in its earliest days and once in the thirties. The experimental and ill-fated Ayr Bank (Douglas, Heron and Co.) of 1769–73 had opened branches but had collapsed. Now, the Bank of Scotland, stepping into its place, succeeded. Seven branches were soon at work. By the close of the century there were more than twenty.[1]

A hundred and fifty English country banks are believed to have existed in 1776, and there were about 280 in the early nineties.[2] In spite of the high mortality among them, especially in 1793, their numbers recovered quickly. During the four years from 1793 to 1797 fifty new ones in part replaced the hundred that had failed. Accurate lists come only with the new century, when the Bank's suspension of cash payments had further stimulated the growth of provincial houses. In 1800 there were 386 in Great Britain—perhaps 330 in England and Wales. By 1803–4 there were sixty-nine metropolitan banks, 473 country banks in England and Wales, and fifty-four banks or branches of banks in Scotland. The Bank of Scotland had then twenty-two branches. Several others, including the Royal and the Linen Company, had one each.[3] It was in this new, expanding, but not at all points substantial framework of a British banking organization that the Bank had to perform its central functions in difficult times towards the close of the eighteenth century.

Occasionally a country banking family or group had started a London house. Abel Smith from Nottingham joined a Payne in London in the late fifties. They are doing business in Lothbury

[1] Kerr, p. 115 and *passim*: for the Ayr Bank see p. 243 below.

[2] The first estimate (Powell, *Evolution of the Money Market*, p. 118) is uncertain. The second is the estimate for 1792–3 given by Geo. Ellison, Secretary of the Association of Country Bankers, before the *Committee of* 1797 (*Reports*, XI, 119), p. 158.

[3] Bailey, T., *A correct alphabetical list containing all the country bankers...in England Scotland and Wales with the names of the bankers in London upon whom they draw* (5th ed. 1804). The figure for 1800 comes from an earlier list quoted in Thornton, H., *Paper Credit* (1802, ed. von Hayek, 1939), p. 168.

in 1759. By 1774 the firm is Smith, Payne and Smith and has its house in Lombard Street.[1] In 1785 Taylor, Lloyd, Bowman and Co. are also in Lombard Street: they are from the Birmingham Taylor and Lloyd families.[2] In 1778 Joseph Jones and Co. appear in Lothbury. A few years earlier Jones was "banker and tea-dealer" in Market-sted Lane, Manchester. Having trouble with his London correspondent, he set up there himself.[3] Twenty-five years later the London house—now Jones, Loyd and Co.—was drawn on by the Manchester house, by Jones and Co. of Llandovery, and by two other country banks.[4] These Jones on Jones drafts are said to be the origin of the disrespectful description of such paper as "pig on pork".[5]

Before they threw off specialized banking firms, the half-banker country tradesmen or merchants had usually acquired their bankers' positions by handling those inland bills which were so abundant in the eighteenth century.[6] They might find money on their bills for local graziers who had sent fat beasts to Smithfield. Through banking correspondents who collected Smithfield bills for them they could help country clients to pay debts in London. Through bill dealings and loans their notes got into circulation. With the profits made on the notes they could offer interest on deposits and so get more working capital.

The London correspondent was sometimes one of the old banking firms—a Child, a Hoare, a Barclay, a Martin. But every London house old or new had its clients among the country firms; and though the large number of these London houses did

[1] Hilton Price, pp. 153, 189, 195. [2] Lloyd as above, and Price, p. 201.

[3] Grindon, pp. 38 sqq.; Powell, p. 122; Price, pp. 94, 95.

[4] Bailey's List for the firms who drew on Jones, Loyd of London.

[5] Price, who reports the tradition (p. 95), says "pig on bacon"; but I am told in the Bank that the alliterative "pig on pork" is the established, as it certainly is the better, version of a good story.

[6] For the bill as used in the North at the end of the century, see Ashton, T. S., *An eighteenth-century industrialist, Peter Stubs of Warrington* (1939), ch. VIII. Bills might have a dozen endorsements, and if you could not find one of the right amount payable in your creditor's town difficulties might arise.

not allow a high average of clients for each, the four client banks of Jones, Loyd and Co. was a minimum in 1803–4. None of the newly risen country bankers did their London business through the Bank of England. The Royal Bank of Scotland did, as it had from the start, and the Bank of Scotland eventually kept a small account in Threadneedle Street.[1] But all the Bank of Scotland's branches, more than a third of the banking offices in Scotland, did what London work they had through Coutts and Co—Scot through Scot.[2]

The number of private banks in London approximately doubled between the sixties and the end of the century, partly by the invasions of country banking families like the Smiths and the Loyds, but mainly by the growth of new London firms who took advantage of the expanding demand from the country for London facilities. William Masterman, who began his banking career in 1780, told a parliamentary committee nearly forty years later that he had been "connected with Country Banks from the beginning".[3] In 1782 there first appears on the list of London bankers the firm of Down and Pell of Bartholomew Lane. Their gains, Henry Thornton, a future partner, wrote "had been extremely small, probably not more than £1500 or £2000 per year in all". (It is interesting to know what level of gains was regarded as "extremely small" in the banker's world of his day.) By 1785 the firm was Down, Thornton and Free. Its business grew steadily. Thornton started with "only the very moderate sum of £6000", but on his father's death in 1790 he inherited some £40,000 more. "We owed much to the kindness of our friends," he says, "and much also to the circumstance of many country banks rising up at that time, with which we were wise enough to become connected."[4] Their fifteen to twenty country client bankers were

[1] See p. 168 below. [2] Bailey's *List*.

[3] Lords' *Committee on...Cash Payments* (1819, III), p. 91.

[4] Thornton's *Paper Credit*, pp. 24–5; extracts from Thornton's private MSS. which the editor has used.

scattered from Glasgow to Tiverton, and from Scarborough to Winchester.[1] Thornton, Treasurer of the Bible Society, the Church Missionary Society, and the Religious Tract Society, absolutely trustworthy, a Member of Parliament and an acute student of banking and currency, must have got on terms as easily with the strong Quaker and Evangelical elements among the country bankers as with his partners, who, however, "lent no very willing ear to the religious observations" which he "sometimes endeavoured to press upon them". "My income", he wrote in 1809, "has grown to £8, 10, or even 11 or 12,000 per annum." He had eight children and he gave £2000 or £3000 a year in charity. Not all contemporary bankers were so rich or so generous and perhaps not one so able; but all had similar opportunities and none were likely to neglect them. "A few... took forward and active measures to encourage the formation even of very small banks in the country",[2] veritable client banks these.

The banking organization of Britain, at whose centre the Bank lay, was in some sort of working order, if also in rather unhealthy growth, by the eighties at latest. Features already prominent remained prominent for a couple of generations, some of them for much longer. There was the central Bank, its monopoly defined by law, its functions only by custom; the London private banks, no longer issuers, but great handlers of Bank of England notes, which they used to settle daily balances among themselves in a well-organized clearing system;[3] and in every city or borough and many market towns one or more private country banks, most of which issued bearer notes payable on demand besides interest-bearing notes which just because they

[1] Thornton's evidence before the *Committee of* 1797, p. 149.

[2] Thornton, p. 172. As Prof. von Hayek points out, Henry Thornton has often been confused with his brother Samuel of the Bank, Governor 1799–1801. Henry as a working banker was not on the Court, still less Governor as the *D.N.B.* states.

[3] The system is concisely described in Thornton, p. 101 n.

bore interest remained longer out. "The practice of issuing notes payable to bearer on demand" had become "very common" during the prosperous late eighties.[1] Not every country bank issued: there were scattered non-issuers in many places, and in one very important district, that of Liverpool and Manchester, bearer notes were hardly known.[2] The inland bill, often much endorsed, made up, with cash, the circulating medium. By April 1797, however, when the February suspension of cash payments had frozen some of the guineas, "small Bank of England notes" began to circulate even in Manchester.[3]

In London "no note of a private house" had any chance of circulation. Large payments were "effected exclusively through the paper of the Bank of England". Customs and excise—the two chief classes of tax before 1799—were "principally paid in Bank notes", and so were subscriptions to government loans.[4]

Outside London there is reason to think that, as the new country banks gradually came to supply a local paper currency between the sixties and the nineties, the range of circulation for the Bank of England note certainly did not extend and probably contracted. Henry Thornton found only a "trifling" number of Bank notes among the remittances of his widespread country clients. He thought that few were ever seen beyond a thirty-mile radius from the City.[5] There was no better banking opinion than his, though the Governor and Deputy-Governor of the Bank held that on this point no opinion was possible.[6]

The relation of the Scottish banking organization to the English was peculiar, indirect, but important. Two banking

[1] "A few years antecedent to the present war" (i.e. to 1793): Thornton, p. 172.

[2] Thornton, p. 94. [3] Thornton, evidence of 1797, p. 161.

[4] The quotations are from *Paper Credit*, p. 105 and from the evidence of 1797, pp. 128, 149. The "paper of the Bank of England" may include cheques.

[5] Thornton's evidence, p. 163. For the earlier circulation, see p. 150 above.

[6] Evidence of Giles and Bosanquet, p. 159.

systems distinct in character were linked together by the guinea—which the Scots in the ordinary way hardly used at all. It was computed in the nineties that Scotland had up to £1,500,000 of notes in circulation, seven-eighths of them for 20*s.* or 21*s.*, and not more than £50,000 of guineas.[1] But as the Scottish banks had their London banking correspondents, who invariably were large holders of Bank of England notes, the Scots' stock of guineas could easily be augmented, just as that of any country bank could, by cashing some of these notes at the Bank. All that was necessary was for the Scottish firm or branch to be in credit with its London correspondent.

The Royal Bank had its small but ancient account with the Bank of England: it could both remit to and draw on Threadneedle Street direct. In 1785 the Bank of Scotland asked for a credit of £20,000 with liberty "to draw on and remit to the Cashier of the Bank of England in the same manner as the Royal Bank". It offered to deposit security in the form of Bank of England stock that it had recently purchased. The Court "did not think proper to comply", perhaps because this proposal for security was rather irregular.[2] No motive was assigned for the refusal so that any explanation is a matter of perhaps. Through other banks, however, the Bank of Scotland already had access to London facilities; and in 1791 the Bank finally allowed it to open an ordinary drawing account, "for paying in Money and Bills and drawing Bills on the Bank of England".[3] Both it and the Royal had "much dependence on the Bank of England", Samuel Thornton, Deputy Governor, said in 1797.[4]

This power of drawing, directly or indirectly, on the Bank's gold for Scottish use was only important in difficult times. When things ran smoothly the Scots note served Scotland's monetary

[1] Thornton's evidence, p. 165.

[2] *C.B. W*, 12 May 1785. The Bank of Scotland first appears as a holder of Bank stock on the *Proprietors' List* for 1780.

[3] *C.T.* 1791–5, 6 Oct. 1791.

[4] *Parl. Hist.* XXXIII, 770.

needs perfectly, except for small change. But when the water was rough, as in 1783 or 1793, Scotland might help to swell what came to be known later as an internal drain of gold from the Bank.[1]

Although any London banker could take notes to Threadneedle Street for exchange, when a client in credit with him wanted gold, before the suspension of cash payments the private banker could not discount at the Bank in his own name, though he might keep a drawing account with it. If therefore the country banker wanted to get gold by discounting, not merely by cashing a balance with his London correspondent, he had to get some mercantile friend with a discount account at the Bank to draw the guineas for him.[2] In one way or the other however it was so easy for him to get guineas at short notice that, except in districts where the guinea was in great request—in the West Riding for instance "nothing but gold" would do[3]—he sent all his spare coin to London for deposit or investment in securities.[4] The establishment of the quick mail coach during the eighties made the dispatch safer and speedier than it had formerly been.[5]

Responsibilities for the central Bank of the old United Kingdom were increased when the Bank of Ireland was established. A Bank for Ireland had been discussed from time to time ever since 1695, but it only came into existence under Grattan's Parliament. The charter is dated 15 May 1783. In the previous December its promoters had written to the Bank of England for advice about by-laws and the conduct of business. This advice no doubt was sent. The Court dispatched a polite reply and asked the Committee of Treasury to do the heavy work;[6] but of the Committee's letter

[1] In 1797 Sir Rd. Carr Glyn said the only gold drain on his bank came from the West of Scotland and from one Newcastle bank; evidence, p. 142.

[2] Thornton's evidence, p. 162.

[3] Because most payments were so small; evidence of T. Thompson, merchant and banker of Hull before the same Committee, p. 151.

[4] Evidence of Samuel Hoare, p. 148. Hoare thought that up to 1797 there were not £1,000,000 of Bank notes outside London.

[5] Thornton, *Paper Credit*, p. 173.

[6] *C.B. V*, 2 Jan. 1783.

no copy exists in London. The only letter written from Threadneedle Street in the early years of which a copy has survived is one of 20 September 1787, in reply either to an inquiry from the Bank of Ireland whether it might send gold bars of its own melting, or a request to choose its own refiners. London explains that two firms have the monopoly of melting down into bars "all the light cut Guineas...offered to the Bank for sale". It has always refused to permit even "very respectable people" to melt their own bars, because it thinks this refusal acts as a check on the illegal melting of good coin. It is very glad to hear that Dublin has opened an office for taking in light guineas and half-guineas. It reminds Dublin that the gold policy now explained applies already to Edinburgh. London will do its utmost to encourage Anglo-Irish trade, but flatters itself that Dublin will see the propriety of its adherence to the existing regulations.[1]

Thus the Bank of England, as senior institution, model and adviser, claims the right to exert a certain control over the banks of the secondary capitals. This is natural enough in view of its vastly greater strength, its more direct contact with government, and its possession of that reserve of treasure on which alone the Banks of Scotland and Ireland—with all other banks—now in the last resort depended. When it struck its August balance, three weeks before this letter was written to Dublin, the Bank held £6,300,000 of bullion and coin, mostly gold. It is possible that all Scotland had no more than the £50,000 with which it was credited ten years later. What Ireland had no one ever guessed; but as it lacked Scotland's highly developed cash-economizing bank-note system, and was much more populous than Scotland, though poorer, it had probably a far larger circulation of guineas. In the nineties, the London agent of the Bank of Ireland sent over £2,050,000 of guineas in four years, but he believed that a great

[1] *Letter-book*, 1783–1804, f. 40. The Bank of Ireland had written to Messrs Puget the refiners, who were also the Bank of Ireland's agents. They had passed the letter to the Bank of England.

part of this came back soon, in the ordinary way of trade, especially to pay for coal shipped to Ireland from Whitehaven.[1] The figures suggest, though vaguely, that there may have been at any one time ten times as much gold circulating in Ireland as in Scotland, assuming that £50,000 or thereabouts really was the Scottish figure.

What the total gold stock of the United Kingdom was we do not know. Between 1773, when recoinage of the gold began,[2] and 1794 over £45,000,000 of gold was minted; and there was a fair supply of good older guineas in circulation. But in discussion with Pitt in October 1795 Daniel Giles, Governor of the Bank, estimated that the gold currency stock of the Kingdom did not then "far exceed fifteen millions".[3] Many years later a colleague, Jeremiah Harman, gave an estimate of £20,000,000 for the early nineties. Lord Liverpool, a coinage expert, put it at £30,000,000; and the Lords' Committee on the Resumption of Cash Payments in 1819, splitting differences as a committee will, suggested £25,000,000.[4] If Giles or Harman was right—there is no record of how they arrived at their estimate, but it looks as though £15–20,000,000 was the "Bank" figure—there must have been exceedingly heavy wastage, by export and otherwise. This is likely enough. The Bank of England during the late eighties and early nineties normally held a total bullion stock—including some silver—of from five to eight millions. When the figure dropped much below five, as it was dropping fast when Giles gave his opinion, the Bank became anxious. His anxiety may well have led him to make that opinion conservative: Harman's £20,000,000 may be nearer the truth. Loose and uncertain as these estimates

[1] Evidence of John Puget, agent of the Bank of Ireland, before the *Committee of* 1797, p. 134, and Appendix II. Specie shipped to Dublin.

[2] See p. 175 below. The annual coinage figures are given in Macpherson's *Annals of Commerce*.

[3] *C.T.* 1795–7, 10 Oct. 1795.

[4] Lords' *Committee on...Cash Payments*, p. 11. Harman's estimate was given to the Commons' Committee, p. 40. It excludes the Bank's reserve.

are, they at least point to the dominance of the central institution and the critical importance of its bullion reserves just before the suspension of cash payments in 1797. The Bank was by this time, as a contemporary put it, "the great repository of the spare cash of the nation"[1]—with the appropriate responsibilities. But there were no precedents to guide it, except its own rough practical experience through the few years during which the system of one central, many metropolitan, and a host of country banks had been taking shape.

It is not to be supposed that the Bank, though most emphatically central, had acquired or been given all the functions associated to-day with that adjective. If it was already in a sense the bankers' bank, surprisingly few bankers kept accounts with it. From the country, none at all. From London in 1793, something between twenty and twenty-five out of a total of sixty-five traceable bank houses. The accounts in its ledgers contain many of the greatest banking names—Barclay, Dorrien, Esdaile, Jones, Lubbock, Martin, Prescott, Robarts, Smith. But among the many who at that time had no account are names possibly as great—Child, Cocks, Coutts, Dimsdale, Glyn, Gosling, Hankey, Hoare, Masterman, Herries and Thornton.[2]

[1] Macpherson, *Annals*, IV, 407. See Horsefield, J. K., "The Bank and its Treasure", in *Economica*, 1940, who discusses the figures from 1778 as returned in 1832.

[2] *Drawing Office Ledgers* and Price's *Handbook of London Bankers*. The uncertainty arises because an account in the name of a single member of a known firm may not represent the firm's account. In 1794, after the crisis of 1793 (p. 261 below) Gosling, Herries and Thornton appear in the *Ledgers*. For the position thirty years later see Vol. II.

CHAPTER V

THE BANK AND THE GOVERNMENT, 1764–1797

THE years from the sixties to the eighties—in terms of prime ministers from George Grenville to the younger Pitt—are a very empty chapter in the story of relations between the Bank and the government. They are a rather empty chapter in the story of the Bank itself. The Governors' names—Weyland, Clarmont, Cooper, Payne, Sperling, Gaussen, Beachcroft, Booth—are mostly forgotten, partly no doubt because the state was not curious about what they were doing: it is the Governor who has trouble with a minister or gives evidence before a parliamentary committee whose name survives. The General Court was perfectly inactive, the Court of Directors not at all eager or enterprising. The Committee of Treasury—now in secure control—seems to have ruled by precedent and routine. If its minutes had survived for the years before 1779 this opinion might be modified; but when they begin they support it. New trends in British banking appear. But except in a very limited way, in its dealings with the Banks of Scotland and Ireland,[1] the Bank shows no inclination to direct them.

Something that a Governor said in 1797 illustrates well what was by that time the established policy of letting external forces play on the Bank rather than attempting to guide them. Have you "any system of measures" for acquiring bullion, he was asked. His answer was: "When it is advantageous to bring it in, individuals will bring it."[2] There had been initiative shown in

[1] See p. 170 above. [2] Daniel Giles, to the *Committee of* 1797, p. 128.

looking about for treasure in the Bank's early struggling days. Now it appeared to be superfluous. Nor are there any signs that the Bank was looking about for business.

The financial mouthpiece of government from October 1767 to April 1782 was Lord North. He was by no means incompetent in finance, but he was the last man to worry about innovation or reform. The Bank was working well enough, as the Treasury saw it. It was, as he said in a speech of 1781, "from long habit and usage of many years....a part of the constitution".[1] He spoke in this way when the renewal of the Charter was being discussed, but he was not speaking to a brief. He believed in the constitution and all its parts. It is not suggested here that the relations between government and the Bank were in need of drastic reform; only that if they had been North was not the man to do the work. That some changes were desirable in the interests of the state became apparent when the restless and economically minded Pitt came into office.

Under North and his immediate predecessors the Bank carried on its old-established duties to government, doing—as he put it in 1781—"all the money business of the exchequer". It made its annual contract to take Exchequer Bills to an agreed maximum for the year, exchanging any outstanding old Bills for new ones at the year's end. It made advances on "Land and Malt", the two stablest taxes, advances which were paid off as the money was collected.[2] It also made advances to subscribers to government loans, to help them to complete their subscriptions. It paid out dividends on the funds and handled transfers of stock. It was consulted when new loans, or lotteries, or tontines were being arranged—and its officials were placed among the privileged first subscribers. There was still no rule binding government departments to bank with it, but most departmental chiefs and other

[1] *Parl. Hist.* XXII, 516: 13 June 1781.

[2] In 1777, for example, it advanced £4,900,000 on "Land and Malt" and £2,500,000 on Exchequer Bills: Lords' *Comm. on Cash Payments*, 1819, App. 9.

public authorities, together with many tax-receivers in the country had accounts in Threadneedle Street. The short-term debt represented by the Exchequer Bills was augmented by Navy, Victualling and other bills, drawn on the Treasury and payable at the Bank, bills which it was accustomed to honour up to about £50,000 or in time of war even £150,000;[1] but the Exchequer Bills made up the great bulk of it. Behind the short-term was the long-term debt of the state to the Bank, the original loan and all its accretions, which stood during the sixties and seventies at £11,686,800.

During the early seventies, and just about the time that tea was being thrown into Boston harbour, responsible people at the Exchequer and the Mint, inspired by Charles Jenkinson, the future Lord Liverpool, who became Master of the Mint in 1775, were planning a reform of the British coinage. At the time of William's recoinage, when everyone thought in terms of standard silver, the Act of 1696 had authorized those to whom light silver was offered to deface it. Nothing was said about gold, and ordinary men did not carry silversmiths' scales, so the rule was neglected. In any case, by 1770 the silver was in wretched condition and was not in practice standard money. The gold too was badly worn, no provision having been made for its periodic renewal. As a result, the preamble of the Act designed to set things right stated dogmatically that "it has been a practice to export and melt down the new and perfect coin", a practice that could not be stopped "while pieces differing greatly in weight are current".[2]

Interested though it was in the coinage, there is no evidence that the Bank took any lead in this matter, or even that it was consulted, though there can hardly not have been some informal consultation with its chiefs. Several times, in 1773 and earlier years, it passed resolutions in favour of a 7*s*. gold piece,[3] but never

[1] Samuel Bosanquet to the *Committee of* 1797, p. 133; he said the practice was old.

[2] Preamble to 14 Geo. III, c. 70. [3] E.g. 25 Nov. 1773: *C.B. S.*

one in favour of a general reconditioning of either the gold or the silver. The decision of government to deal with the gold and leave the silver in its existing state—and that could not have been much worse—was in effect the introduction of a gold standard. It was made by the Act of 10 May 1774 (14 Geo. III, c. 70). The Bank merely gave its consent to the Act so far as its interests were affected.[1] Affected they certainly were, for it was made the general channel through which the gold coin was to flow in and out.

All over the country, collectors of the revenue and other agents of government were to accept light gold at its face value, cut and deface it, and convey it to the Bank. The Bank was to change it for "other current coin"—guineas, half-guineas and quarter-guineas, old or new, which were above the weight prescribed for defacement. The Treasury was both to bear the cost of the recoinage and to issue, in fact to the Bank, "such sums as shall appear to be the amount of all the deficiencies". An initial grant of £250,000 was made to cover these losses, but in the end the recoinage cost more than twice that sum. Heavy as the cost was it was unquestionably money well spent. What was now in effect the British standard coinage was put into admirable order, though the state of the silver and other token monies was lamentable.

In August of 1773, besides £820,000 of coin in its Vault, the Bank had held £86,000 of foreign gold coin and £61,000 of gold bars. It had £127,000 of gold passing through the Mint. By February of 1774 these figures had been greatly increased—to £143,000, £323,000, and no less than £727,000 at the Mint.[2] It looks as though the Bank were anticipating the great new minting operations arranged for by the Act of the following May. A year later the work is in full swing. There is an abnormal amount of foreign coin in hand—£705,000—with £1,095,000 of bars of foreign gold; £583,000 of "bar gold from English coin"—the light money called in and melted; no less than £2,186,000 of that

[1] *C.B. T*, 16 June 1774.

[2] *Yearly Accounts*, based on *G.L. XIV*, ff. 19, 21.

"deficient English gold coin" itself; and £845,000 of gold at the Mint. The Mint turned out £4,636,000 of coined gold that year.

So the process went on for four years. In February of 1777 the Bank still had £1,539,000 of deficient English gold coin on hand, nearly a million (£982,000) of gold at the Mint and £346,000 of bars from English coin. But by that time the work was nearly done. At the August balance there was only £64,000 of gold of all sorts in Threadneedle Street, other than the good English coin in the Vault, though there was still £567,000 of gold passing through the Mint. By February of 1778 all the mintable gold in hand came to only £107,000 and there was no more than £11,000 in process of being minted.

Besides the £4,636,000 of 1774, the Mint had issued £4,901,000 in 1775, £5,000,000 in 1776 and £3,684,000 in 1777. For 1778 the output fell to £350,000: the main task was done. In 1779 it rose again, to £1,696,000, but there had been years before the recoinage (1767 and 1773) in which the £1,000,000 had been passed; and as in 1780 no gold was coined at all, the figure for 1779 if spread over the two years becomes almost normal, since a coinage of £800,000 in a year was quite a common thing. The four years of recoinage had produced £18,221,000 of new gold money, of which about £16,500,000 came from the deficient coins, the rest from gold supplied by the Bank in the ordinary way.

In the summer of 1781 Parliament was debating the renewal of the Bank Charter—more than six years before it would expire on 1 August 1787. Why renewal was proposed so far in advance is not clear. Nor is it recorded who took the initiative—Lord North, in great need of money for the American war, or "the Chairs" of the Bank, well aware of his necessities. It was on 3 April 1781 that the Committee of Treasury first discussed the matter. North had already "consulted with some others of the

King's servants", and apparently also with "the Chairs".[1] The Governor said later in the House of Commons that "the proposition had been in agitation" only since 1 April.[2] North's suggested terms were a renewal of the Charter for "twenty-one years certain", in return for a loan of £2,000,000 at 3 per cent for three years.

In May the Committee of Treasury agreed to the £2,000,000 loan but suggested thirty-one years. To that North demurred. The Committee retorted that £2,000,000 was worth at any rate twenty-five years beyond the present term of the Charter. If they were to have no more than twenty-one years then they could find only one million. In the end they got all their way: the Charter, North promised, should run until 1812. This promise was entered in the Committee's minutes on 22 May.[3]

At a General Court of the Bank held eight days later the matured scheme was approved and its care left to the Court of Directors, that is in effect to the Committee of Treasury who had hatched it.[4]

The scheme was laid by North before the Commons on 6 June, "without any previous notice, in a house of 83 members". No hint had "been dropt of any such intention". That statement comes from a pamphlet written by a severe critic of North and the scheme,[5] but there is no reason to doubt it; and the story of North's swift and secret dealings with the Committee of Treasury is in its favour. The critic was David Hartley the younger, an advanced Whig and a friend of the rebel Americans, who two years later—when North had fallen—was sent by Fox to sign with Benjamin Franklin, Jay and Adams the treaty that recognized

[1] *C.T.* 1779–82, 3 April 1781. This first surviving minute book of the *C.T.* covers only the years given.

[2] *Parl. Hist.* XXII, 520.

[3] *C.T.* 2, 12 and 22 May 1781.

[4] *G.C.B. III*, 30 May 1781.

[5] Hartley, David, *Considerations on the proposed renewal of the Bank Charter*, p. 1. The figure for the thin house on 6 June is from p. 28.

the Thirteen United States. He had sat as member for Hull until 1780, and, although for the moment without a seat, had access to good parliamentary information. His well-written attack is dated 11 June, two days before the discussion of North's bill in the Commons; and it is a much abler statement of the case against the minister and the Bank than any speech in that debate.

Condemning the haste and secrecy of the business, Hartley argued that there could be no need for hurry: the Charter had more than five years to run. The thing had come to the House as a made bargain. North was turning Parliament into a mere registration machine, and he had placemen enough there to let him do it. Hartley had kept the question in mind ever since the renewal of the Charter in 1764. He now put forward an elaborate, if somewhat hypothetical, argument to show that the value of the Charter to the Bank was £120,000 a year: "what the Government has to sell them is an annuity of £120,000 a year for a lease for twenty-five years".[1] At fourteen years' purchase that was £1,680,000; and North was proposing that they should lend him two millions at 3 per cent! The value of the Charter to the Bank's credit, Hartley maintained, had been absurdly overestimated: "what good did the Charter do when the original Bank failed [suspended cash payment] in King William's time? None at all. Till the Bank became pay-master at sight...no man would take a Bank note in payment at par, notwithstanding the supposed magic of the Charter."[2]

Of course the Charter had its cash value, Hartley wrote, if not a magic quality. You could sell it to someone else—"let the Bank look to that; let them offer such terms as their Charter is worth".[3]

The fact was, he continued, they were now so rich and strong that their huge estate "does enable them, and them only, to circulate the land and malt bills, and other government monies; while the Government are in effect precluded from applying to

[1] *Considerations*, p. 7. [2] *Ibid.* p. 11. [3] *Ibid.* p. 13.

any other shop". Since no "petty shop" would serve, the Bank's establishment as a big statutory shop gave them "a monopoly against their beneficiaries—and in the profit of this monopoly it is, that the benefit of the Charter consists". A result of the monopoly was that for years the Bank dividend had been 2½ per cent above the current rate of interest. (This was true.) That dividend had gone up after the Charter bargain of 1764. (This also was true.) And now Bank stock stood at about 110 while the 3 per cents were under 60. Had Lord North made any attempt to find an alternative "shop"? Had he "applied to the holders of the Old or New South Sea Annuities, or to any proprietors of ten or twelve millions of the national funds", to see if they would supply the money he wanted on easier terms, or make the Bank bid up? Let him "go a shopping with the maids of honour, till he has learnt that the best way to make a bargain is by going to more shops than one".[1]

Hartley's proposal was that a jury of experts should determine what probable fall in the value of Bank stock would result from a withdrawal of the Charter. His own estimate was thirty points or more, to about 80. For the renewal of a lease of this value—like most of his contemporaries he thought in terms of lease and fine—he would be surprised if such experts did not recommend a fine of something like his £1,680,000; say £1,500,000.

With that he resumes his attack on Lord North. Will he defend his bargain in the House with figures? He wants the £2,000,000 at 3 per cent to pay off some expensive Navy bills. (That was the use to which the Bank's loan was to be put.) Has he some friends who have got Navy bills dirt cheap? Like a wise controversialist Hartley does not affirm this: he only suggests it as a barrister might. His abuse of the minister is discreet and kept within bounds. He closes with the very reasonable reminder that as the Bank will in no case make its first payment until November a decision need not be taken during the current session of Parliament.

[1] *Considerations*, pp. 14–17.

Whether or not North had read Hartley's pamphlet before he rose to recommend his bill, less than forty-eight hours later, his speech might almost have been a reply to it. He "could not imagine there was one man living, who, after the long experience of its utility, would deny that it was the duty of parliament to cement and strengthen the connection between the Bank and the public as much as possible".[1] He summarized the various Charter renewals. He defended that of 1764: it was not a bad bargain. "It had never been considered as either wise or necessary, to expect a large fine on such an occasion." The thought of a new or alternative bank was awful to him. The Bank "from long habit and usage of many years" was a part of the constitution. It did the Exchequer business much better than the Exchequer used to do it. Besides, the public owed it many millions, and if the Charter were not renewed would have to pay this debt off at par. But North did not explain why the renewal should be made in such a hurry and five years ahead of schedule time.

As to the Bank's profit, which on the basis of the recent dividend he put at £239,000, much of it, he argued, came from ordinary commercial business. But he did not know or say how much. Whether he answered Hartley's request for figures adequately we cannot tell. The summary of his speech merely says that "after a variety of arithmetical computations, his lordship declared, he thought £150,000 as large an emolument as the public had a right to expect". As the "computations" are not reported it is impossible to say how his figure—one-tenth of Hartley's—was arrived at. He concluded by admitting that the bill had come late in the session; but he failed to justify his haste.

Sir George Savile of Yorkshire, eighth baronet, said that "the public had an estate to sell" and was selling it damned cheap. "The Bank business was to him something like magic. They coined their flimsy pieces of paper and lent them to the country";

[1] *Parl. Hist.* XXII, 516, and the following columns.

and so on. It seems, that although an LL.D. of Cambridge and a Vice-President of the Society of Arts, he was not an economist.

Mr Jenkinson, of the Mint and other offices, supported Lord North. He quoted some figures of Bank dividends to suggest that the bargain of 1764 was not a bad one; but the figures that he quoted were not correct. He said that he had served under Grenville in that year, and that Grenville had been satisfied with his job.

Other members followed, some clear-headed, some muddled. Fox himself took part, briefed one may assume by Hartley; but finance was not his hobby and he had nothing fresh to say. A certain Mr Dempster knew that the Bank's profits were not all divided as North had assumed: the Bank, he said, put ½ per cent aside yearly against contingencies. William Ewer, the Governor of the Bank, thought it necessary to answer Sir George Savile—"Good God, could public business be so little known that at this time of day it could be supposed that the Bank would coin whatever sum they wanted, by issuing just as much paper as the minister pleased." He denied indignantly a current rumour that they had been buying up Navy bills; not one had been bought since April the first, the date before which the matter now before the House had not "been in agitation".[1]

A few more members spoke and then the bill passed, much as Hartley had expected, and by 109 votes to 30. It became 21 Geo. III, c. 60, and contained unaltered the made bargain which he had condemned.

With its extended charter the Bank retained all the old privileges and liberties of action. But in one small way, its habits if not its liberties had been affected by recent legislation. This was really through an accident. In the mid-sixties Parliament had been at variance with the East India directors. It meant to extract from them a stiff annual payment "in respect of the

[1] But they had bought £20,000 in January; *C.T.* 1779–82, 11 Jan.

Territorial Acquisitions and Revenues lately obtained"[1] for the Company by Clive in Bengal. While the decision was pending, the directors had called a special meeting of their court and declared an unusually large half-yearly dividend, of 12½ per cent, in advance. East India shareholders were to get all they could of the free cash before Parliament stepped in. Parliament retaliated by declaring, in the preamble to an Act dealing with public companies and their dividends, that "of late years a most unfair and mischievous practice has been introduced of splitting large quantities of stock, and making separate and temporary conveyances of the parts thereof, for the purpose of multiplying or making occasional votes immediately before the time of declaring a dividend, of chusing directors, or of deciding any other important question".[2] Which companies had been guilty Parliament did not state, and into the general truth of its allegation an historian of the Bank need not probe. To check these "unfair and mischievous practices", the short Act in whose preamble they were pilloried (7 Geo. III, c. 48 of 1767) ordered: first, that no one should vote in the general court of a chartered company who had not held his stock for six months, or acquired it by marriage, bequest or inheritance; second, that half-yearly dividends should never be declared at less intervals than five months, or more than one at a time; and third, that whenever such a dividend was raised, the rise was not to be valid unless confirmed by ballot three days later.

None of the pilloried abuses could be found at the Bank in 1767. Its proprietary was, on the whole, remarkably stable.[3] So were its dividends, stable and moderate. True the half-yearly distribution was raised by ¼ (to 2¾) that very autumn. But it remained pegged at this higher level for over thirteen years. Yet when a rise did come, the formality of the ballot had to be observed; and from this time forward no very recent purchaser of stock might vote in General Court. Had the Act existed in

[1] *Parl. Hist.* XVI, 346.
[2] From the preamble to 7 Geo. III, c. 48.
[3] See Ch. VIII, below.

Queen Anne's day, Dr Sacheverell could not have been hissed when he voted for "chusing directors" in April 1711; for he had only held his £500 of stock for a month.[1]

The £2,000,000 that the Bank advanced on Exchequer Bills in 1781 was in form a loan to be repaid from the revenues of 1784; but it was prolonged and not repaid until Pitt had got the national finances into good order.[2] Being temporary it did not affect the annuity due to the Bank, which remained at £356,502. 3*s*. 5*d*. Nor need it have affected the capital position. But a call had become usual in connection with a renewal of the Charter and the loan of £2,000,000 seemed to justify one. The Court of Directors, therefore, had no difficulty in securing from the General Court, on 13 September 1781, a vote for a call of 8 per cent.[3] The result, and the real object, of this call was to bring the nominal amount of the capital stock as nearly as possible into line with the sum recognized by the Treasury as due to the Bank. This stood at £11,686,800, as it had since 1757. When the 8 per cent call had been paid the capital stood at £11,642,400.[4]

In these last years of North's administration the Bank had secured not only a renewal of its Charter until 1812, on the very easy terms that David Hartley criticized, but also that permanent armed guard, which in every costume, from stock, pigtail and breeches to "tin hat" and battle dress has watched over it by night ever since. It was on 6 June 1780 that Lord George Gordon's Protestant mob was supposed to be threatening an attack on the Bank premises. How real the threat was that day it is hard to tell—much depends on mob psychology—but contemporaries took it seriously. Late in the evening, at the request

[1] Above, p. 75.
[2] *C.B. W*, f. 231. A letter of 11 March 1786, from Pitt, about repayment.
[3] *G.C.B. III*, under that date.
[4] *Early Years of the Funded Debt*, p. 75.

of the Lord Mayor, more than 500 horse and foot were sent—the first regular Bank guard. Twenty-four hours later the attack actually came, led by the epic brewer's drayman on his horse, jingling with Newgate chains. City train-bands, with John Wilkes as one of their leaders, helped the troops to beat off the drayman's followers and also another attack, made in the small hours of the eighth. After this the riots slackened and risk to the Bank ceased. The upshot was that guard of a Lieutenant, two sergeants and thirty men, whose housing, feeding and occasional delinquencies occupy from this time forward more space in the Bank records than their importance perhaps merits. Yet, like the Bank itself in the opinion of Lord North, they and the ritual of their nightly turn out became almost a part of the British Constitution.[1]

By April of 1782 Lord North was down and by December of 1783 William Pitt, after a short trial run as Chancellor of the Exchequer from July 1782 to April 1783, was both Chancellor and Prime Minister. These posts he held for the next eighteen years; and in him the country and the Bank found their master. It is unfortunate that for the years of his ministry down to 1789 the minutes of the Committee of Treasury have not survived; for the early entries of the minute book that begins in May 1789 suggest hard bargaining and a trace of friction between the minister and the Committee. However, there is no reason to think that, down to 1786, any major issue that might have led to friction had been discussed between them. By that time Pitt was firmly in the saddle and was looking about him for administrative improvements and economies. One such improvement, or promised improvement, which touched the Bank indirectly, had already been effected by Burke.[2] The Act that begins "Whereas ...there are several useless, expensive and unnecessary offices" in the Exchequer (23 Geo. III, c. 82) had abolished, but only from the death of its present incumbent, the office of "the tally

[1] Acres, *The Bank of England from Within*, I, ch. xxx, "The Bank Guard".

[2] As part of his general scheme of economical reform.

cutter". After his time "instead of the tally now in use to denote the receipt of money...there shall be substituted an indented cheque receipt". But as the cutter was vigorous, tallies continued to be cut and split for many years.

In the first eighteen months of his ministry, and before he was in complete control, Pitt, as has been seen, was forced to postpone repayment of the £2,000,000 of "Charter" Exchequer Bills; but as from July 1785 he was beginning to pay them off at the rate of £500,000 a year. His bargaining position was therefore good. He used it to cut down the Bank's fees for managing the national debt. Writing in March 1786, he felt sure that, in view of the great size of that debt, the Bank would think a fee of £450 per million ample "instead of the sum at present payable",[1] which was £562. 10*s*. 0*d*. Whether the Committee of Treasury had fought over this we do not know: the Court of Directors and the General Court acquiesced in it without argument or protest.

There was a hitch in the repayment of the last £500,000 of what the Bank called "their Charter Money". The instalment was due in 1788 but the Bills were renewed: and in May 1789 the Committee of Treasury "though...desirous of not pressing too hard on Government...could not help declaring their wish that...[it] might not be considered as a permanent loan, but that it may on some future occasion be provided for and reduced".[2] The loan had in fact become a part of the general floating debt. The gross amount of that debt due to the Bank was the essential thing. Each year the Bank did some advancing on Exchequer Bills. Each year the amount of renewals varied; and whether Bills represented "Charter Money" of 1781 or current loans did not greatly matter. The decisive importance of the annual renewals is shown by what "the Chairs" told the Prime Minister in July 1790. They were taking a block of Exchequer Bills "but wished it to be thoroughly understood that they meant this loan as a

[1] From his letter of 11 March, quoted p. 184 above.

[2] *C.T.* 1789–91, 29 May 1789.

temporary assistance to Government and not to be renewed on any account".[1]

They had been sparring a good deal with the Treasury in 1789–90. Angerstein and Johnson, contractors for a tontine in 1789, had tried to interest the Bank in it. The Bank went so far as to lend to enable subscribers to complete their subscriptions. Then Rose, Pitt's Secretary of the Treasury, inquired through the contractors whether the Bank would undertake the management of the tontine when it was fully going. Decision was postponed. A later inquiry through the same channel produced the chilling reply that "the Gentlemen of the Bank were very little interested in the Tontine, and had no opinion to give" on the matter referred to them.[2]

But before the end of the year Pitt had roused their interest unpleasantly. He told "the Chairs" that he had been inspecting the Exchequer and Audit Roll—the record of government money passing through the Bank to be paid in dividends—and had found that "the balances [of unclaimed dividends] in the hands of the Bank had been constantly increasing".[3] His notion was to raid these balances, his first thought being to take all but £50,000 out of a total of £547,000 for "the temporary use of the public". He was stiff. "The Chairs" were stiff in opposition, and they found the Court of Directors, and later the General Court, as stiff as themselves, although at the Court of Directors "in the absence of the Secretary no mention was made of it in the minutes".[4] That was all in December, the month in which the matter was first mentioned in the House, when two Directors who were also M.P.s, Samuel Thornton and Alderman Watson, lodged a preliminary protest.[5]

[1] *C.T.* 1789–91, 1 July 1790.
[2] *C.T.* 1789–91, 2 Feb. and 28 April 1790.
[3] *C.T.* 1789–91, 10 Dec. 1790.
[4] *C.T.* 1789–91, 10 Dec. 1790; *G.C.B. IV*, 16 Dec. 1790.
[5] *C.T.* 1789–91, 23 Dec. 1790.

The Committee of Treasury was becoming restive under Pitt's rather casual and high-handed treatment apart from this matter of the Exchequer Roll. In the minutes for 13 January 1791 is the entry—"The Contracts were come down for the Land and Malt [i.e. for the Bank's regular advances on the security of those taxes] but that no notice had ever been taken of it by Mr Pitt, nor had the assent of the Court been taken as usual. The Committee agreed that the Contracts may be passed this day; but that it would be right for the Governor to take notice to Mr Pitt of the omission, which is unprecedented, and to desire that it may not happen again." Four weeks passed and then Pitt merely said that it was an "involuntary omission".[1] Not courteous or businesslike, this.

Early in February the Directors received a memorandum from certain "proprietors of the Public Funds and...Agents of many respectable foreigners extensively interested in these Funds"[2] raising strong objection to Pitt's proposal. The Memorandum was signed by three English financial firms, including Harman, Hoare and Co., by the very international firm of Thellussons, and by five Dutch or Anglo-Dutch houses, whose leading partners were Van Notten, Muilman, Van Neck, Van Hemert and Van Voorst. Whether the Bank were trustees for the dividend money or not, their memorialists said, they did not know. But they did know that their clients had a specific lien on the accumulated dividends; these belonged to them from the moment of collection. This was reported to Pitt, and Pitt's only reply was that he intended to bring in his bill in three or four days. At that "the Chairs" warned him of "what the Bank will probably find it necessary in some way or other to bring before the Public Eye".[3]

Before enlightening the "Eye", the Committee of Treasury made a last private offer to Pitt. Would he take his £500,000 as a time loan without interest? No, he would not; but he might

[1] *C.T.* 1789–91, 13 Jan. and 10 Feb. 1791.
[2] *C.B. X*, 3 Feb. 1791.
[3] *C.T.* 1789–91, 3 Feb. 1791.

consider a perpetual loan, an excellent euphemism.[1] They resolved that "any idea of lending the money for an indefinite Period is not proper to be cherished";[2] and so the "Public Eye" was enlightened by a petition against his bill, presented to the House in the name of a General Court that had met for the purpose on 13 March. The petitioners argued "that the £500,000 proposed to be taken is not money which lies in the Bank to pay Dividends unclaimed for any considerable time and long in arrears"; that "if Dividends, Lottery Prizes and other articles not demanded for the short space of three years, should be considered as old and unclaimed and should therefore be taken back as being without an owner (an attempt that would surely offend the Reason and Justice of Mankind) even then all that could be taken would be £190,264. 10*s.* 1*d.*"; that the large sum which certainly lay at the Bank was made up chiefly of monies "which Proprietors suffer to remain...till it suits their convenience to receive them", not of "unpaid dividends of any considerable standing...which may have been forgotten...or may be unknown"; finally that the proposal was a taking of the "property of individuals without their consent and without their knowledge".

And that too, the petitioners continued, in a time of peace when there was not "any great Public Calamity" and the national finances were thriving. With an eye across the Channel, they asked rhetorically what attacks on property might not be expected—given this precedent—if England really were in trouble?[3] They can hardly have anticipated anything so shocking as the Income and Property Tax of 2*s.* in the pound which came when the trouble seemed almost overwhelming.

Pitt pulled down what George III called his "damned long obstinate top lip" and held on his course in spite of the petition, which was presented by Samuel Thornton on 15 March and

[1] *C.T.* 1789–91, 14 Feb. 1791.
[2] *C.T.* 1789–91, 15 Feb. 1791.
[3] *G.C.B. IV*, 3 March 1791.

supported as a matter of Whig anti-Pitt routine by Burke and Fox. His bill was sent to a Committee of the whole House by 191 votes to 83.

But the Bank was not yet beaten. It determined to prove its point that there was very little "lost" money available; and it put forward a compromise. On 24 March the Court decided to publish a list of all really old unclaimed dividends on the funds, down to September 1780. Four days later "the press was so great to obtain payment" that there was difficulty in dealing with it.[1] Apparently many people who had let their dividends lie like money on deposit were eager to get it out of the Exchequer Roll and Pitt's grip. On 29 March both the Court of Directors and the General Court met and agreed in principle to offer Pitt a "perpetual loan" of £500,000 free of interest if he would drop his bill.[2] At length his top lip relaxed and he began to bargain.

There was another meeting of the General Court[3]—which had sprung into unusual activity and prominence now that purses were threatened—before the offer was formally made by the Court of Directors on 12 May and accepted by the House of Commons on 17 May. The Act that sanctioned it (31 Geo. III, c. 33) was not too unfavourable to the Bank, although the Committee of Treasury had to eat their words about the idea of lending money for an indefinite period being "not proper to be cherished". When first Pitt had looked into the Exchequer and Audit Roll he had found balances of £547,000. The Bank had explained that most of this sum would very shortly be wanted by fundholders. By the beginning of 1791 the balances stood at £702,995. 1*s*. 3*d*. Now, by the Act, the Bank was to pay £500,000 "into the receipts of his Majesty's exchequer": nothing was said about a loan without interest, though that was what the Bank still called

[1] *C.B. X*, 24 March 1791 and *C.T.* 1789–91, 28 March 1791.

[2] *C.B. X* and *G.C.B. IV*, under 29 March 1791.

[3] On 5 April.

it.[1] But Pitt had said from an early stage that he meant to leave the Bank a balance of £100,000,[2] and he had agreed to add to this whatever sum was necessary to meet the dividends due on any preceding quarter day. The rather puzzling form that the guarantee took in the Act was not of £100,000 but of £600,000; for the "loan" of £500,000 was reckoned as a part of this guaranteed £600,000.

On 28 June, Abraham Newland, Chief Cashier, was instructed to pay the £500,000.[3] But as he found that under the guarantee this left the Treasury in debt to the Bank, he claimed—and on 1 July received—£123,260. 19*s*. 3*d*.[4]: at that moment the Bank had a free balance of £223,260. 19*s*. 3*d*. Most certainly it was in no way crippled. It easily maintained its dividend of 7 per cent, although money was so plentiful and cheap that in August the Committee of Treasury discussed—though it did not adopt—the lowering of the rate of discount from the customary five to four.[5] Cheap money and a sustained dividend put the maximum price of Bank Stock for 1792 higher than it had been in any year since the South Sea Bubble.

Samuel Bosanquet, who stepped into the Governor's chair at the election of 1791, although as Deputy he had helped to conduct this negotiation with very considerable success, was still troubled about one rather minor irregularity in the relations between the Bank and the Treasury. Its Charter said that the Bank was to lend no money to government "upon Funds not having Loan of Credit", that is to say it was only to lend on the security of

[1] The title of the Act is simply "An Act for the payment of the sum of... by the governor and company of the bank of England into the receipts of his Majesty's exchequer". It has only three clauses: the third authorizes the payment of £450 per £1,000,000 for managing the public debt referred to on p. 186 above.

[2] See his speech of 15 March 1791; *Parl. Hist.* XXVIII, 1410.

[3] *C.T.* 1789–91, 28 June 1791.

[4] A marginal note to the entry of 28 June.

[5] *C.T.* 1789–91, 4 Aug. 1791.

regular parliamentary votes which mentioned the tax or taxes from which interest and principal were to be repaid. The method had been generalized in the course of the century, so that now loans were often made on the security of the year's votes of supply. But the Treasury, as has been seen, had got into the habit of presenting its short-term bills for discount when the Bank had no specific vote to authorize payment, and perhaps no balance of government money in hand from which to pay. Bosanquet thought this amounted to a violation of the Charter. In April 1793, when the financial anxiety of a crisis year had apparently promoted his fears, he induced the Committee of Treasury to tell Pitt that the Bank was reluctant to cash Treasury Bills when it was not in funds. Could Pitt not slip a clause into an Act of Parliament that would regularize the situation and remove all risk of a breach of the Charter.[1]

Pitt, who had just gone to war and wanted the maximum of elasticity and freedom in his relations with the Bank, complied very readily. An Act was put through (33 Geo. III, c. 32) which received the royal assent on 7 May. It is described in its title as "enabling his Majesty to raise the sum of £1,500,000...and... providing that the governor and company of the bank of England shall not be subject to any penalties...on account of their advancing money for the payment of bills of exchange accepted by, or by the direction of, the commissioners of his Majesty's treasury, and made payable at the bank of England". In the text the Bank's foundation Act (5 & 6 William and Mary, c. 10) is specially referred to: it is to be no obstacle.[2]

No doubt this Act eased Samuel Bosanquet's conscience. But it may also have confirmed Pitt in the belief—very natural to a

[1] *C.T.* 1791–5, 6 April 1793, and Bosanquet's evidence before the *Committee of* 1797, p. 133.

[2] Another Act of this year (33 Geo. III, c. 29) also contains the phrase "anything in 5 and 6 Wm. and Mary, c. 10, to the contrary notwithstanding". It is the Act which set up a body of Commissioners to issue Exchequer Bills to relieve the financial crisis of 1793. See p. 264 below.

strong minister in time of war—that he was entitled to press the Bank for help of all sorts and at all seasons, and that no legal quibble based on the law of William and Mary could now be used against him.

Within a week of the Act receiving the royal assent trouble began. English Treasury Bills the Bank had to accept within reason, but on 14 May the Committee of Treasury was telling Pitt that it drew the line at Irish Bills; to accept them was "not consistent with the present arrangements".[1] Towards the end of the year Pitt gave them to understand, or so they supposed, that he would not go beyond the figure of £500,000 for the English Treasury Bills. Twelve months later they are complaining that he has gone "far beyond" that figure.[2] Will he kindly in future notify any anticipated excess in writing? If he did, no evidence of his doing so has survived among the records of the Bank. At the same time he was planning another thing which troubled many members of the Court—a loan of six millions to the Hapsburg Emperor to help him fight the French. Benjamin Winthrop, a Director and future Governor, moved a solemn protest against such a thing, in the interest of the nation and the Bank. When this anxiety was reported to Pitt he told the Governor to keep calm; the loan was "a public measure of necessity".[3] And, by the way, he asked, would the Bank take four out of the five and a half millions of Exchequer Bills which he proposed to issue?

For his war loan flotations the minister relied, as his predecessors had for many years, on associations of powerful loan contractors—Angerstein; Johnson; Curtis and Robarts; Mellish and Morgan; the Solomons; the Goldsmids.[4] He was educating the Bank, or so his words and actions suggest, into taking a more venturous view of its financial responsibilities in time of war

[1] *C.T.* 1791–5, 14 May 1793.

[2] *C.T.* 1791–5, 6 Nov. 1794.

[3] *C.T.* 1791–5, 11 Dec. 1794.

[4] Other names and firms also crop up in the *C.T.* minutes.

than was natural to the solid cautious majority of its Court. Probably he held, as one of his colleagues certainly did, that "anything, if novel, is apt to stupefy merchants".[1] He was to stupefy them with novelties again and again—loans to allies, subsidies to allies, sustained suspension of cash payments, and Income Tax—before that black day when he went home to die with the map of Europe rolled up.

By the beginning of 1795 the majority of the Court was already venturous enough to reject a second motion of Winthrop's protesting against the Imperial Loan and stating that the Directors "do not conceive this loan to have any connexion with, but to be totally independent of, any Ballance between this and other Nations, in the way of trade"; an indisputable truth, so far as it goes, and an indication that Winthrop was thinking as an economist. Perhaps they rejected the resolution because of his rider to the effect that, if the loan were made, the Bank would not be able to give such help to the government and trade of the country "as it would be their Pride, their Happiness, and their Interest at all times to afford". However that may be, they did reject it.[2]

Meanwhile they repeatedly urged Pitt to keep his Treasury Bills down to £500,000. Pitt was very polite but could not pledge himself until the money for his new, and to contemporaries, gigantic eighteen million loan should begin to flow in.[3] By April of 1795 "the Chairs" were waiting on him once more to explain the size of their uncovered advances. Again he was polite; he had been much pressed with affairs; but he would order £1,200,000 to be paid them at once.[4] In July friction became severe. A diplomatic agent abroad had drawn on the Bank without authority and his draft had been refused. Newland certified that

[1] The Duke of Dorset to William. Eden in 1786: *Cambridge History of British Foreign Policy*, I, 169.

[2] All from *C.T.* 1791–5, 15 Jan. 1795.

[3] *C.T.* 1791–5, 17 Jan. 1795.

[4] *C.T.* 1791–5, 17 April 1795.

£1,510,000 of Treasury Bills had been "paid by the Bank in Advance"; there were others coming which would raise the advance to £2,280,000. "The Chairs" protested that when they agreed to honour such Bills—but only up to £500,000—"they never meant or intended a permanent credit, nor did [Pitt] solicit it as such". He was reminded that only two years ago, they had asked for a change in the law "for having paid fresh Treasury Bills" to an amount "Trivial" when compared with the present figure. They really wondered whether "the Act in question" covered them, as things now stood.[1] No doubt it had relieved them from penalties; but it referred to a particular sum of £1,500,000.

It seems that Pitt shared their doubts. "Certainly the Bank had no Parliamentary Security," he said, "but that they had the faith of Government pledges to them." He had given orders for warrants to be issued for paying them £600,000. That was not nearly enough, Daniel Giles, the Governor, replied. Pitt was a little discomposed. He is reported to have said that he hoped "the Bank did not, for this year, mean to restrict him from the Credit of the £500,000".[2] Seven days later Giles refused to sanction advances on the security of the consolidated fund until this matter of the Treasury Bills was nearer a settlement; and on 7 August he read the Prime Minister a written note, as a diplomatist might, reminding him of his "frequent promises", and suggesting very plainly, and not for the first time, that the Treasury's acceptances should be "otherwise arranged than at the Bank". Giles laid stress on the anxiety of the Court to help the nation, but pointed out that "a provident care for their Establishment must precede all other Objects".[3]

The problem of the Treasury Bills now blended, at least in the mind of the Bank directorate, with that of the unfavourable exchanges and the gold drain, which became formidable in the

[1] *C.T.* 1791–5, 30 July 1795. [2] The same minute, of 30 July.
[3] *C.T.* 1791–5, 6 and 7 Aug. 1795.

latter part of 1795. That the "Loan to the Emperor and other Subsidies",[1] of which the Bank was complaining in October, might have serious effects on the exchanges was obvious; though whether they would so have or not would depend, in spite of Benjamin Winthrop's rejected resolution, on the state of the trade balance; and in fact during 1796 the British export trade was expanding quickly while the imports remained stationary.[2] There was no necessary connection between the Bills as such and the exchanges; although in so far as the Bills represented expenditure overseas they fell into the same category as the loan to the Emperor. We now know that an influence probably dominant in the exchange problem was one which neither Pitt nor "the Chairs" of the Bank seem to have apprehended—the insistent demand of France for treasure to restore her currency. These associated problems can best be discussed, not as parts of the story of the formal and statutory relations between the Bank and the government, but in connection with the crises of 1793 and 1797 and the difficulties of the years between.[3]

Very conscious of the Bank's reluctance to encourage the daring financial policies which he held essential to victory, Pitt—besides relying more and more on the loan contractors—was placing a larger proportion of his Exchequer Bills on "the market", at a time when the Bank was pressing him to do the same with his short-dated Treasury Bills. He was also considering the most unorthodox expedients—forced loans and, within a few years, an Income Tax. Towards the end of 1796 he informed the Bank that he had in mind a bill which would oblige "all persons possessed of a certain income to lend a proportion of it, say one-fourth", for a given period on specified terms. He thought that many public-spirited men might be willing to lend without

[1] *C.T.* 1795–7, 10 Oct. 1795.

[2] Statistics for this period are not satisfactory, but the facts seem to be as stated.

[3] And are so discussed in Ch. VII below.

compulsion, and to lend even more than the contemplated proportion. It was very important that an example should be set by those in high places, and the setting of such an example by the Bank was much to be desired. Would "their zeal for the Public Service and their sense of the importance of the present crisis" dispose them "to take the lead in a measure" which would accelerate the restoration of a secure and honourable peace?[1]

The terms offered were generous and the Bank agreed on 1 December to set a good example by lending £1,000,000, in spite of its almost perpetual worries about Treasury Bills and unconscionable advances.[2] But an Act with a compulsory clause was never passed. In its place came the Act of December 1796, which fixed the terms—generous, like those offered to the Bank—for what came to be known as the Loyalty Loan, of another eighteen millions. Loyalty, uneasiness at the course of the war, and the offer of £112. 10*s*. 0*d*. in 5 per cent annuities for every £100 subscribed, led to the taking up of the whole eighteen millions in four days.

Gold was flowing out of the country just then at a dangerous rate, but Pitt, saved from employing compulsion, was in funds for the campaigns of 1797. Those campaigns brought General Buonaparte within eighty miles of Vienna and forced the Hapsburg Emperor to sign the humiliating Treaty of Campo Formio. One result of this was that no interest was ever paid on the "imperial loans" whose flotation the Bank had disapproved. Twenty-six years later the Emperor's successor paid 2*s*. 6*d*. in the £1 on the principal. This collapse convinced Pitt and his colleagues that it was wiser, in time of war to the death, to give money to your allies in subsidies than to lend it[3]—a policy which their remote successors in 1914–18 might have done well to imitate.

[1] This correspondence is fully quoted in Acres, I, 270–1.

[2] Both Court and General Court met on the same day, *G.C.B. IV*, 1 Dec. 1796.

[3] Clapham, J. H., "Loans and Subsidies in time of War", *E.J.* Dec. 1917

This change of policy, when put into operation, did nothing to lessen anxiety in the Bank Parlour. At the turn of the years 1796–7, however, that anxiety was focused on the dwindling of treasure in the Vault. Before Pitt faced his second great experiment, an Income Tax, and not merely faced it but carried it through, the Bank had for more than two years been learning how to conduct its business on a foundation of inconvertible paper and with the aid of regular notes of smaller denomination than it had ever contemplated during the first century of its existence.[1]

[1] "Regular notes", because there had been some notes for small odd amounts outstanding in its early years. See p. 145 above.

CHAPTER VI

THE ORGANIZATION AND BUSINESS OF THE BANK, 1764–1797

WHILE the country banks were growing up and the London banks, old and new, were establishing profitable connections with them, there was very little change in Threadneedle Street, except of personalities. And many of the personalities even were long-lived and semi-permanent. Edward Payne became a Director in 1756; he was Deputy and Governor in 1769–73; and he was still directing in 1794. Samuel Beachcroft, Governor in 1775–7, sat on the Court, with short breaks, from 1760 to 1796. Richard Neave, eventually Sir Richard, Bart., joined the Court in 1763, governed the Bank in 1783–5, and then sat on the Court continuously until well into the nineteenth century. Samuel Bosanquet joined in 1771, occupied "the Chairs" in the critical years 1789–93, and was still serving in 1806. And of Chief Cashiers, the dutiful and accurate Daniel Race—"a man of plain appearance, and in no way assimilated with the depravity of the times, but in every respect the man of business, the gentleman, the philosopher, the Christian"[1]—held office from 1739 to 1775, the active and tenacious Abraham Newland—who never slept a night away from the Bank and by economy and speculation became rich[2]—from 1778 to 1807.

[1] From his memorial tablet, Acres, *The Bank of England from Within*, I, 255.

[2] Acres, I, 256. The service years for Directors and Governors are from Acres, II, App. I.

Government and policy were in the hands of these long-term Directors, owing to the dominance of the Committee of Treasury and the practice—not a new one—of filling it with seniors.[1] Besides the Daily Committee, or Committee in Waiting, a rota of Directors for dealing, primarily, with the discount business, there had been three standing committees in the fifties, the Treasury, the House and the Exchanges. These are still there in the sixties, but by 1769 the Treasury has absorbed the Exchanges. And when its minutes begin in 1779 it is found doing a great deal of what looks like House Committee business—about keys and porters and watchmen, the pensioning of servants, Christmas boxes for the out-tellers, the giving of a gratuity to the widow of a glazier who fell while at his work and was killed, and how a woman spent the night with the Officer of the Bank Guard. There are three pages of minutes on this last case.[2]

In 1779 "the Treasury" was made up of Governor, Deputy-Governor, four ex-Governors, and Richard Neave who became Deputy two years later. In 1791 Godfrey Thornton, of the great mercantile and banking Thornton family, joined "the Treasury" before he had sat in a Chair. But his election was as good as a nomination; for he was promptly made Deputy-Governor. Alderman William Pickett, who though he became Lord Mayor never got the place on the Court of Directors that he coveted, was not far wrong when he wrote in 1788 that he was "given to understand" that the Committee consisted of the Governor, the Deputy, "and other Directors who have passed the Chair". He went on to say—"by whom, when, and by what contrivance, the dark and concealed system of management by a *Treasury Committee, without the deliberation of the whole Court, has been established*, is a consideration of the first magnitude for the Proprietors". "It was certainly not provided for in the Charter", he added.[3]

[1] See p. 111 above.
[2] *C.T.* 1789–91, 14 July 1791.
[3] *An Apology to the Public for a continued Intrusion on their Notice with an Appeal to the free and independent Proprietors of Bank Stock demonstrating that it is highly*

This was at a time when the General Court, after two generations of somnolence, had been stirred to a vote by a motion of 18 September 1788—"that declaring an additional dividend equal to one per cent per annum at the General Court in March last demonstrates that the customary additional dividend equal to one half per cent had been previously withheld when the profits of the Company warranted such an increase".[1] The motion was not carried, was not even put, leave to put it being rejected. Apparently the proprietors were quite content to get a rise of 1 per cent on the year, as they did ($3\frac{1}{2}$ and $3\frac{1}{2}$), although previous rises, or falls, had generally been by $\frac{1}{4}$ on the half-year. But to call this rise by half-yearly $\frac{1}{4}$'s customary was hardly correct, for changes had come at such very long intervals. From 1768 to 1780 the half-yearly division had been $2\frac{3}{4}$. In 1781 the Court declared $2\frac{3}{4}$ and 3; from 1782 to 1787, 3 and 3; and in 1788 the March $3\frac{1}{2}$ that provoked the motion.

This gentle agitation led more people to show interest in the choice of Directors—for a time. From 100 to 130 had been the ordinary attendance of proprietors at an election. In 1789 votes were cast by 524.[2] But this did not alter the character of the Court perceptibly, or the dominance of the Committee of Treasury at all; nor did it interfere with the banking careers of such men as Beachcroft, Neave, Bosanquet and Samuel Thornton. The General Court remained rather active in 1790 and 1791, when the Bank was fighting the Chancellor of the Exchequer over his proposed raid on the unclaimed dividends of government funds. It even tried to stiffen the Court of Directors in this rather hopeless struggle against Pitt and an omnipotent House of

proper for them to examine into the State of their Affairs. By Wm. Pickett, Esq. (1788), p. 36. For Pickett and the directorate and his other differences with the Court see Acres, I, 224, 262.

[1] *G.C.B. III*, 18 Sept. 1788.

[2] When Alderman Pickett, now Lord Mayor, was for the second time an unsuccessful candidate. The votes are in the *G.C.B.*

Commons.[1] But interest in the election soon faded. In 1790, as in 1789, more than 500 votes had been cast. In 1791 this had fallen to less than 300 and by 1796 to 201.

It was not true that the Bank was "managed" by the Committee of Treasury "without the deliberation of the whole Court"; but it was true that a great deal of important business never went to the Court of Directors and that all important business was prepared for them by the Committee. It was the Committee, for example, who drew up lists of Governors and Directors, for elections that were almost nominal. The *Court Books* of the seventies, eighties and nineties, though they contain all decisions of great public importance, do not throw much light on the day-to-day history of the Bank. They are more arid and official than those of earlier decades. And unfortunately the Committee of Treasury minutes only begin in 1779, and there is a gap in the series from 1782 to 1789. Had they not survived for the nineties, our knowledge of the most critical decade in the Bank's history since the days of the South Sea Bubble might have been singularly inadequate.

With the control both of policy and administration in so few hands, some of them old and perhaps feeble, the risk of imperfect supervision of the departments of the Bank and its now very large staff became serious. About the time that "the Treasury" minutes begin a series of large-scale frauds by a clerk had been in progress. There was also a steady flow of forged notes from a source which was for a long time obscure. Partly because of these unpleasant affairs, a special committee was set up in March 1783 to inquire "as to the mode and execution of the business...in the different departments of the Bank".[2] The defects discovered and reforms suggested are matters of purely internal history. The former were numerous and the latter seem to have been reasonably effective.

[1] See a vote of 5 April 1791, pressing the Court of Directors not to agree to some changes made by the Chancellor of the Exchequer: *G.C.B. IV*.

[2] *C.B. V*, 12 March 1783. See Acres, I, 238 sqq.

Seven years later, the work was completed by a second committee instructed to "inspect the rules and regulations which have been established from time to time for the conduct of the clerks; and to arrange the same into separate codes suited to the nature of the business transacted in each office".[1]

But there was no thought of modifying the nature of the Bank's central government. It is creditable to this government that it realized the need for new methods and that the men who served on these committees and proposed and carried through the reforms belonged to the class of long-term Directors most of whom came in turn to the Chair and, having passed it, joined the oligarchy in the Committee of Treasury. The members of the Committee of 1783 were Samuel Bosanquet, Benjamin Winthrop, who became Governor twenty-one years later, and Thomas Dea, who served intermittently as a Director for twenty-four years without ever attaining to the Chair. In 1783, however, all three were relatively young in the directorate and were certainly not feeble; Bosanquet had been first elected twelve years before and Dea eight. Winthrop was a newcomer who joined in 1782. Perhaps he was the new broom that earned its permanent place by its good sweeping; but that is only a speculation. Of Bosanquet's vigour and administrative efficiency there is no doubt and Dea may have been a capable man though he has left no memorial.

As for the business for whose higher direction the Committee of Treasury was responsible, in its essentials it had changed very little indeed. Mortgage, as a regular line, had long since dropped out, though now and again some accident of a client's bankruptcy might leave the Bank with an unwanted mortgage on its hands.[2] Formal loans to private individuals had become exceedingly rare. The practice however had grown up, and was well established before the eighties, of giving one or more advances to

[1] *C.B. X*, 4 Nov. 1790. See Acres, I, 243–50, where the chief regulations are given.

[2] See p. 113 above and p. 249 below.

subscribers who had made their first payment to state loans and lotteries, in order to facilitate later payments. It was now usual for groups of stockbrokers to solicit this favour. Sometimes they pressed for its extension.[1] By granting these advances the Bank helped a government constantly at war and also helped itself. Its advice was always taken when loans were being floated; it could participate in them if it wished; and its high officers attended the meetings at which assignments were made to those groups of loan contractors who, before the fourth quarter of the century, were recognized intermediaries between the Exchequer and the investing public. The bulk of the tontine of 1789, for instance, was taken by a group made up of J. J. Angerstein, Johnson and Devaynes, the chairman of the East India Company. (Angerstein and Johnson wanted the Bank to guarantee advances on the tontine, £100,000 of it having been allotted "to the Gentlemen of the Bank Direction".) At the same time short annuities were taken by Pybus, Call and Co. and Ransom, Morland and Co.[2] As the Bank was represented at the launching of these and other loans, it naturally wished to see them float easily.

Apart from this, lending to private individuals was carried on almost entirely by way of discount—discount of trade bills and of promissory notes.[3] A few years later, in 1804, it was reported that the bills were to the notes normally as about five to one. An increase in the proportion of notes which was said to have

[1] E.g. *C.B. V*, 24 July 1783: a refusal to stockbrokers to advance "the fourth payment upon the present loan". On this occasion it was held to be "improper" to advance this final payment.

[2] *C.T.* 1789–91, 9 June and 4 Aug. 1789.

[3] The dividing line between bills and notes was not sharp. Promissory notes, made by the debtor, might arise from transactions in goods, as well as in other ways. The law gave "superior facilities" for recovery of debts when such a note existed. A bill, drawn by the creditor, became, as Thornton put it, "the same thing" as a promissory note, when accepted. (*Paper Credit*, pp. 83–4.)

taken place since 1800 was regarded as unwholesome.[1] To secure discounting privileges a man, or firm, had to show a Director's recommendation. The discounter must be resident in London and he must be in trade. The policy was summed up in a letter written in 1802 to a gentleman who may possibly have been in the Army, Charles Gray, Esq. His address was The New Hummums, Covent Garden. The letter runs—"I am directed to inform you that the Bank discount no Bills but such as are for the accommodation of trade and only for such persons as are well known. Inclosed you have your draft on Messrs Gover & Cooper for £1000 and also Lord St Vincent's letter together with the Testimonials of Sr. Sydney Smith and Gen. Davis."[2] No amount of first-rate Service backing could procure discount facilities for poor Mr Gray of the New Hummums.

From before 1799 no analysis of the discounts has survived. But no doubt the situation in that year was much what it had been during the two or three previous decades, except that before 1797 the Bank had done no discounting for bankers, whereas on 1 January 1800 it held £396,000 pounds worth of bankers' bills discounted. The most remarkable features about the discounts at this time are the great number of the Bank's discounting clients and the great range of London businesses represented. The exact number of clients at the end of 1799 is uncertain but next year it was 1340, and a figure of from 1200 to 1400 remained normal down to 1815.[3] After 1825, for half a century there were never more than 500 and there were often less than 300. The discounting world of the late eighteenth century and the age of the Napoleonic wars was totally different in character from that

[1] *C.B. Ca*, 12 Jan. and 2 Feb. 1804: Reports on the Discounts.

[2] *Letter-book*, 1783–1804, f. 151. The letter is of 25 August.

[3] From a MS. chart showing *The Amount of each Branch of Trade in Discount with the Bank on the 1st day in every year from* 1800 *to* 1813. The number of discounters at 1 Jan. 1800, i.e. in 1799, is not given. Later annual reports on the Discounts in the *C.B.* give the figures quoted. The number of discounters falls to 943 by 1819 and to 545 by 1824.

of the mid-nineteenth, though there were elements common to both. Including the discounting done for bankers, the aggregate for persons "in Discount with the Bank", as reported on 1 January 1800, was £6,603,000. Of the £6,207,000 of non-bankers' business, the sort that had been going on long before 1797, merchants doing overseas trade provided rather less than half and the other traders rather more than half.

At the head of the merchants, with £581,000 of bills under discount on that day, came the great West India Interest—the sugar and slave men. Because of the "extraordinary situation of their trade" in war time, they had recently been given specially favourable terms.[1] Next to them came the Irish merchants with £541,000. The American, Russian and Peninsula groups each had from £200,000 to £300,000 of bills discounted. With them are classed the "Wine and Brandy" merchants. This is presumably a euphemism for French smuggling merchants, for Oporto and Madeira came under the Peninsula heading. East India agents and merchants are insignificant: their importance was growing fast in these final years of the East India Company's monopoly, but the Bank's traditional Indian business was that of approved overdraft to the Company itself.[2] The rest of the discounting for overseas trade came to £768,000 and covered all Africa, the Mediterranean, the Baltic, Hamburg and the Channel Islands. The continent was not too accessible in 1799, but nothing illustrates better the immense importance of the West India Interest with its £581,000 of discounts.

In the home trade, whose aggregate figure was £3,246,000, far and away the most important group was that of the Linen Drapers and Manchester Warehousemen, with no less than £654,000 of

[1] *C.B. Aa*, 6 July 1798.

[2] There was a strong "handful of merchants living in India under the Company's own protection" who were the first to attack its monopoly. These Calcutta "houses of agency", as they were called, naturally had London representatives. Parkinson, C. N., *Trade in the Eastern Seas*, 1793-1813 (1937), p. 357.

business, a fifth of the whole. There must have been plenty of very substantial people in John Gilpin's trade and about St Paul's Churchyard. Second to them came the rather miscellaneous group of the Tea Dealers, Grocers and Sugar Refiners—£433,000. Next the wool textile people, Blackwell Factors who handled cloth from the manufacturing districts and Woollen Warehousemen, with £257,000. Then the Silk Manufacturers and Gauze Weavers—real producers these, in Spitalfields—with £243,000; and the Scotch Warehousemen and Factors, dealers in textiles and hosiery, with £232,000. The small group of trades with discounts between £100,000 and £200,000 contained the Corn Factors, Hop Merchants, and Ironmongers and Iron Merchants. Between £50,000 and £100,000 came the Coal Merchants, Cotton Merchants—cotton, which still came mainly from the Levant and the West Indies, was handled extensively in London—the Drysalters, the Hatters, the Haberdashers, the Hosiers, the Leather-sellers, Curriers and Tanners, and the Oil Merchants.

The total number of home trade groups given in the Bank's analysis is well over fifty.[1] They include Booksellers and Biscuit Bakers; China Dealers and Carriers; Druggists and Goldsmiths; Glovers, Perfumers and Slop Sellers; Coopers, Glass-manufacturers and Ship-builders; Toy Merchants and Wax Chandlers. The discounting shopkeeper was evidently still a familiar figure at the Bank. His bill was likely to be small. A few years later, when the Court was getting anxious about the growth and state of the discounts, it appeared that in one year (1803) 1156 bills for less than £20 each had been discounted, their average value being not quite £15.[2] There had been a great increase in the total

[1] All facts from the Chart quoted above.

[2] According to early rule and practice (p. 124 above) inland bills below £50 were not discountable. It is possible that this rule had never been applied to bills among Londoners or Londoners' promissory notes. If it had, it had evidently been relaxed. The figures are from the Report on Discount for 1803; *C.B. Ca*, 2 Feb. 1804. After the report was received it was decided to discount no bill or note for less than £20. See Vol. II, p. 13.

discount business since 1799, but there is no statement that the proportion of small bills had increased. That it had seems unlikely, though the anxiety of the Court about the small bills in 1804 may point in that direction.

The figures in this analysis cannot be taken as an exact test of the relative importance of the different branches of the home trade, though they throw light on that importance. Some trades did not require discounts or had not the discount habit. Huge as their businesses were, the Brewers never did much discounting. Perhaps a bill on a publican or private porter drinker was not acceptable to the Bank's Committee in Waiting; and the brewers were not needy men. The Distillers of London gin did less discounting business than the Cheesemongers. And so on. But the classification and the figures do demonstrate the Bank's close contact with the whole commercial and industrial life of late eighteenth-century London. It did well to keep an eye on the discounts and to test the accuracy of the private marks assigned to the paper of its clients. The early history of these marks is obscure, but it is believed that three were in use in 1795 (/, –, and ×) indicating the fine bill, the average bill, and the bill to be handled with caution.[1]

As a general rule a client's discount account was distinct from his drawing account. To the latter no risk attached for the Bank in quiet times, since interest was never given or overdraft permitted. No serious losses were made over the discounts, but there were always a few bills that were not met, and the risk had to be guarded against.[2] In spite of the rule discount business was done occasionally for a strong and well-known client who had only a drawing account.[3]

[1] From a MS. note on Discount history and practice prepared in recent years at the Bank.

[2] From 1800 there are regular reports on dishonoured bills. Their retrospective figures show that the proportion was not greater in the late eighteenth century than in the difficult years of the Napoleonic wars. See Vol. II, p. 14.

[3] Again an inference from the early nineteenth-century Discount reports.

Large corporations such as the East India Company and the South Sea Company had their regular running loan, or agreed overdraft, in the case of the East India Company, for example, during the late seventies generally of £300,000, but sometimes of £400,000.[1] This was distinct from certain long-term loans, which had given a great deal of trouble a few years earlier. After the Company's political activities had been regulated by Pitt's India bill the old system continued. In the Court Book which covers the period from December 1787 to December 1791 the running loan of £300,000 is renewed twenty-one times.[2] Besides it there are some longer-dated loans on the security of East India bonds, and a special loan of £600,000 with a supplement of £200,000 in 1789, to secure which the Company mortgaged "their Annuity Fund", the sum which they were due to receive annually in return for the loans amounting to £2,000,000 made to the state in King William's and Queen Anne's days.[3]

Much smaller figures satisfied the South Sea Company—overdrafts up to £30,000, £40,000 or £50,000. Why it needed to overdraw so regularly is not quite clear, since its sole important business was to pay out to shareholders what it received from the Exchequer on its various annuities. Presumably the dates of its dividend payments and its receipts were not properly adjusted.[4]

The Hudson's Bay Company was another frequent borrower. Returns from its business, at this time principally the fur trade of the North-West, were in their nature intermittent, which makes the need to borrow, if payments out were to be regular, perfectly explicable. The business was only of moderate size and small

[1] The highest are between 1774 and 1779, in *C.B. T.*

[2] *C.B. X.*

[3] As the running loan was secured on Exchequer Bills, Pitt reassured the Bank in a letter of 15 July 1790 (*C.B. X*, f. 248) by stating that "the public must be considered as collateral for the payment of the Exchequer Bills...if these Bills should not be redeemed by the East India Company". The transaction over the Annuity Fund is in *C.B. X*, 31 July 1789.

[4] These loans occur in every *Court Book.*

overdrafts, of from £10,000 to £15,000, met the Company's needs.[1]

The great short-term borrower was, as always, the government. Each year the Bank made its contract to take up to a given maximum of Exchequer Bills. The standard Exchequer Bill ran for a year, but it might be renewed; so that the Bank's claim on the Exchequer at any given moment might be greatly in excess of the sum named in the Exchequer Bill contract for the current year. Nor did the contract limit the Treasury's power of issue, although in view of the old statutory rule that bills were not to be issued without the Bank's consent,[2] that consent was sought when it was desired to exceed the contract figure. In 1760 the Court of Directors had agreed that the Treasury "might" issue from £1,500,000 to £2,000,000 of Bills "not to be circulated by the Bank nor comprehended in the Bank's contract for circulating Exchequer Bills".[3] This established a precedent, or perhaps rather a reversion to the early policy of disposing of bills in what later would be called "the market".[4] During the revolutionary wars the Bank began to "purchase" surplus bills, which the Treasury could not dispose of at a premium on the market, over and above the "issued" bills which it took by contract. This was first done in August 1793, but became a regular practice only after 1797.[5]

The renewal of the bills was not always, or perhaps even generally, agreeable to the Bank; but it was one of those things that could not be avoided. Sometimes an attempt was made to ward off any risk of it at the outset. On 1 July 1790, as has been seen, the Governor and the Deputy told Pitt that the Bank "wished it to be thoroughly understood", when accepting a block of Bills, "that they meant this loan as a temporary assistance to

[1] The Hudson Bay loans are intermittent, but very numerous.

[2] See p. 65 above.

[3] *C.B.Q.* 15 Feb. 1760.

[4] The earliest Exchequer Bills had been so disposed of; see p. 38 above.

[5] *Committee on...Cash Payments* (1819, III), p. 5 and App. 3.

Government and not to be renewed on any account".[1] But that was an expression of opinion, not a ruling by which the minister need feel bound. He could always fall back on reasons of state, and he generally did.

In the sixties, and to a great extent throughout the period, bills were issued in the old way—on the security of particular funds, especially the Land Tax, the Malt Tax and the Sinking Fund. By the eighties they are being issued also in a more general way on a parliamentary vote of credit;[2] but the Land and Malt Taxes remain the chief security. And the Bills remained the principal type of government paper in the hands of the Bank. Many years later it was asked to extract from its books returns which were to include figures of public and private securities held by it over a long term of years. They begin with the year 1778.[3] For February of that year it gave its holding of public securities as £7,898,000. The holding of Exchequer Bills at the same date was £7,726,000. Corresponding figures for February 1783 are £10,016,000 and £9,740,200; for February 1788, £7,834,000 and £7,352,000; and for February 1793, £9,549,000 and £8,614,000. It may be noted in passing that the private securities in February 1778 were £3,300,000, of which £2,044,000 were bills discounted, the rest bonds of various kinds principally from such large-scale borrowers as the East India Company. Thus the ordinary commercial bills were barely a quarter of the Exchequer Bills at the moment of the balance in February 1778. In other years they might be a third or even over a half, if the Bank was discounting heavily, as in 1793; but they were never more than that.

The rest of the public securities in 1778 and subsequently were

[1] *C.T.* 1789–91, 1 July 1790, and p. 187 above.

[2] Already in *C.B. V*, 1779–83.

[3] The returns are in Appendix 5 of the 1832 *Report on the Bank Charter.* The analyses of the public securities are from the *Yearly* and *Half-Yearly Accounts* volumes.

mainly Navy bills, Victualling bills, and Treasury bills generally—securities which not being provided for by parliamentary vote, as Exchequer Bills were, made the Directors wonder whether in accepting some of them they were not violating their Charter.[1] It was under Lord North and during the American war that this type of security had become important, though earlier governments had been "obliged" in the same way, if not to the same extent, by "the gentlemen of the Bank". In 1779 North, at his wits' end to pay off £750,000 of Navy bills, gets the Bank to take £400,000 of Exchequer Bills and the balance in what are described as Sinking Fund bills.[2] These were at least more satisfactory than the Navy and Victualling bills or than bills drawn by the services abroad, at uncertain times and to uncertain amounts, which the Bank could hardly refuse to honour without endangering a national interest.

With the Peace of 1783 this form of pressure ceased, and an Act of Parliament ten years later relieved the Bank of its constitutional anxiety, as has been seen.[3] But when Pitt in his turn became involved in war, trouble over the amount of this unattractive sort of security revived. Much of the correspondence between him and the Bank that came into prominence in connection with the suspension controversy in 1797 had reference to it, because the bill drawn by some public authority and made payable at the Bank was the security over whose amount it had least control. In November 1794, for example, the Committee of Treasury is complaining that the bills coming in to be honoured are "so far beyond" the sum mentioned in Pitt's letter of 23 October 1793. Will he kindly reduce the amounts and in future

[1] In Feb. 1778, for example, when what were later described as "public securities" came, as stated above, to £7,898,000 and the Exchequer Bills to £7,726,000, there were £82,000 of Navy and Victualling bills, £28,000 of "Treasury Bills of Exchange" and some minor items connected with Lotteries. By Feb. 1793 the Navy and Victualling bills stood at £840,000 and the Treasury Bills of Exchange at £70,000.

[2] *C.T.* 1779–82, 2 July 1779.

[3] See p. 192 above.

notify in writing any anticipated excess of what the Committee regards as the covenanted figure, that mentioned in his letter to which it refers?[1] Though Pitt was not very compliant, the sums advanced by the Bank were not so burdensome as its protestations suggest; and the whole bulk of the advances made to government during the year preceding the suspension of cash payments, including the Exchequer Bills, was not so excessive, nor so important a cause of the difficulties of 1797, as the Bank authorities at the time were disposed to maintain.[2]

Though when balances were struck outstanding loans to the government greatly exceeded outstanding discounts, the total amount of lending to government in a year was not comparable with the total of the discounts. For the eighteenth century the discounts were not analysed; but when they came to be analysed, early in the nineteenth, it appeared that the average interval between the discounting of a bill and its collection was 60–70 days; so that the discounting done in a year might be fully six times the amount of the sum outstanding at any given moment.[3] Exchequer Bills normally ran for a year at least, and judging by the Bank's complaints very few of the other government bills were met at all promptly, whereas failure to meet a commercial bill when it fell due was a rare and discreditable act.

The government was not only a great borrower but an important depositor. Yet the balances standing to the credit of government accounts of all kinds were relatively inconsiderable; for at no balance-taking down to 1775 was the total liability

[1] *C.T.* 1791–95, 6 Nov. 1794.

[2] See p. 267 below. But in Feb. 1797, though the Navy and Victualling bills were down to £15,000, the Treasury Bills of Exchange, which the Bank particularly disliked and wished to see limited to £500,000, were up to £1,619,000.

[3] For example, in 1808, a year of very heavy discounting, business was done to the amount of £93,000,000. The discounts outstanding on 1 Jan. 1809 were £14,587,000. *C.B. Ea*, 9 Feb. 1809: Report of the Committee on Discounts.

on drawing accounts, public and private, appreciably above £2,000,000, and was often much less; and in the next twenty years it was never higher than £3,965,000. The deposits for this period, as made public many years later, include very considerable sums in the "Exchequer and Audit Roll" of government money paid in to the Bank and not yet paid out to fundholders in dividends, sums which had been "continually increasing" down to 1790 when Pitt decided to raid them,[1] but which continued to increase with the growth of the National Debt. Including these sums public deposits were above £4,000,000 in the mid-seventies, and touched a maximum for the period of £8,155,000 in August 1795.[2]

There was still no obligation for government departments or public institutions generally to keep accounts with the Bank; and when they did keep accounts they might be content with inadequate balances. By an Act of 1783 however (23 Geo. III, c. 50) the transactions of the paymaster-general of the forces, except "customary fees" still payable at the Exchequer, had been concentrated at the Bank. In October of 1797 the Committee of Treasury was told that the Accountant-General of the Court of Chancery kept "very little cash", had in fact for some months been overdrawn; and that the account was very expensive.[3] Next month a letter went to the Lord Chancellor stating the facts and explaining that "an office and eight clerks" were kept for his business "solely".[4] On the following day Pitt received from the Governor the "Titles of Sundry Public Accounts that were used to be kept at the Bank".[5] They were the accounts of the Receivers-General of the Customs, of the Excise, and of the Stamp Office; also those of the Treasurer of the Ordnance and the Treasurer of the Navy. The Governor's comment is instructive. "Of the

[1] See p. 187 above.

[2] *Report on...the Bank Charter* (1831–2), Appendix 5.

[3] *C.T.* 1, 25 Oct. 1797.

[4] *Letter-book*, 1797–1807: letter of 9 Nov. 1797. [There are two overlapping series of letter-books for this period.]

[5] *Ibid.* letter of 10 Nov. 1797.

four last" [Excise, Stamps, Ordnance and Navy], he had "reason to think a part only of the public money is left at the Bank"; and the first "has been entirely closed for five years". Where the Customs money was kept he did not state, though from what he wrote about the other accounts it seems probable that he knew.

All the departmental accounts were still in the officials' names. "The Cash received by the Bank of England from the Excise Office", the Secretary wrote in 1803 to someone in that office, "is placed to the credit of George Jas. Cholmondeley Esq., who has but one account with the Bank of England".[1]

In the conduct of its private business the Bank, as has been seen, lived up to its old nickname of the Bank of London. Only a London resident could have a discount account, and very few non-Londoners who had not houses in Town deposited money with it, except tax receivers and men of that class. (In 1765, for example, a Devon Land Tax receiver notifies his intention of keeping his cash with them, as his predecessor did.[2]) In the "Alphabets" to the Drawing Accounts a residence outside London is occasionally entered in a way which suggests how rare it was. No addresses are given for the vast majority of clients, who are Londoners. In the list for 1780–82 John Jones of Berkshire may no doubt be so described to distinguish him from other John Joneses; but that cannot be the reason for stating that the Rev. Dr Wm. Sharp was "of Oxford". There was only one Dr Wm. Sharp. Still more curious is an entry of 1790–92. It was proper to distinguish John Middleton of Clapham from John Middleton of Lambeth; but there is only one John More on the list, yet he is described as "of Clapton". Such entries are very few and perhaps not enough to generalize about; but they do suggest that the clerks in the drawing office noted with some

[1] *Letter-book*, 1783–1804: letter of 25 May 1803. Cholmondeley was however described as Receiver-General of Excise in "the Bank Firm Book". For "firm books" see App. F.

[2] *Register, No. I*, f. 150.

surprise the client who had only a Berkshire, an Oxford, or even a Clapton address. Paddington was not yet London and Clapton was a rather remote place beyond Cambridge Heath and Hackney Downs.

The Bank would not even write letters to the country if it could possibly avoid doing so. It preferred the word spoken across the counter. There was a standard letter for such people when they lost Bank notes; for one letter was inevitable. That quoted here is of November 1783. "We do not correspond about lost notes" it begins: "the customary method is to write to some friend in Town to apply to the Bank to stop payment": it will cost you 17*s.* 6*d.* of which 10*s.* is returnable when your loss is established.[1] If a man were friendless in Town presumably there would be commission to pay to someone. But those friendless in Town did not often handle Bank notes.

The Bank's dislike of relations which were not personal, of dealings with "parties" whose "standing" and character could not be gauged by some member of the Committee in Waiting, led it also to refuse correspondences in the technical sense. There was the old exception of its relations with the Royal Bank of Scotland; but the ordinary reply to any of the rare inquiries would be like that sent in August 1789 to the Equitable Assurance Company of Calcutta which had written to ask if the Bank would take its deposits and pay out the annuities. The reply was curt, almost brutal: "the Bank never enter into any correspondence and could not undertake this kind of business".[2] The Calcutta Company was distant and may not have been perfectly sound; but it is hard to see any sufficient business reason for refusing to pay out its annuities, provided that its deposits had been satisfactory, a point about which, as about commission, stipulations might presumably have been made. However, such business was "not usual" and that, at the time, was regarded as a sufficient answer. It was very often given to inquiries of all kinds.

[1] *Letter-Book*, 1783–1804, f. 18.   [2] *C.T.* 1789–91, 7 Aug. 1789.

The trade in the precious metals was carried on, from the sixties, without much change. The Bank had its regular brokers, but except in times of acute stress it let treasure come to it as the state of the exchanges should determine. In "silver for coinage", an entry common early in the century, it had lost all interest because so little silver was being coined. There were twenty-two years between 1764 and 1797 in which none was issued from the Mint at all. Seven of these years came in succession, 1785 to 1791 inclusive. There was no object in holding any stock for such a demand.[1] But the Eastern trade and the fact that for most European purposes silver was as good as gold prevented the Bank from losing interest in the silver market. Its reserves were sometimes in ingots, very occasionally in French crowns, usually and predominantly in Spanish dollars, pieces of eight. In February 1766, for instance, a year without war, it had £4600 worth of ingots and £248,000 in pieces of eight; in February 1776, £12,800 of ingots and £55,000 in pieces of eight; in February 1783, at the end of the long strain of the American war and at a time of great financial stress, only £5200 and £2800 of the two sorts; in February 1791, a time of peace and prosperity, no ingots, £5500 worth of French crowns, and no less than £917,000 in pieces of eight; in February 1796, £92,000 of silver of every kind, and in February 1797, just after the suspension, £241,000 of silver, all pieces of eight.[2]

There was not any risk of an internal drain of silver now—no British banker or merchant wanted it in quantity, although with the neglect of coinage and the wretched state of the silver money there was an increasing difficulty about small change. The Bank could therefore manage its silver with an eye to the overseas market exclusively. In war-time the stock served to meet extra demands on the continent; the payments made to Prussia in 1794,

[1] Cp. p. 139 above. Issues from the Mint from Lords' *Committee on...Cash Payments* (1819), Appendices D 1 and D 2.

[2] From the *Yearly Accounts*, which are copied from *G.L. XIII–XVII.*

for example, so far as they were made in cash from England and not by drafts on Amsterdam, were all made in silver.[1] At the close of each spell of war, silver stocks were apt to be especially low, because the Bank's domestic position would not have been desperate even if they had been drained entirely out. In peace or in war it could permit the widest fluctuations in reserves—and the figures quoted show how wide they were—to meet fluctuating demands for shipments to Europe or by the East India Company to Asia.

As it no longer sent silver ingots to the Mint, the Bank had been in the habit since the middle of the century—"for upwards of Forty Years past", the Governor wrote in 1798—"of purchasing Silver Coin, for public circulation". "At different times" it had "given a premium...from Ten Shillings to One Pound per cent" to get it; and the Governor was informed that other bankers had been in exactly the same position during those forty years and more.[2] It was a position hardly creditable to a government which should not have put its banking community to expense in getting the small change necessary for the business of the country. Together with the bad and inadequate stock of silver coin in circulation, it helps to explain not only the heavy issue of tradesmen's and other tokens towards the end of the century but also the prevalence of that payment of wages in kind, that truck system, which though not inherently vicious was so easily abused that there had been legislation against it centuries before the great industrial changes again brought it into prominence. With the supply of copper coin the Bank had nothing whatever to do. "We can provide the Mayor and Merchants of Plymouth with silver", the Secretary writes to the local Member of Parliament in 1791, "but we have no copper. You can get it at the Mint

[1] Evidence of John Harman, before the *Committee...on the Bank* of 1797 (*Report*, *A & P*, XI, 119), p. 144.

[2] *Letter-book*, 1797–1807: the Governor to the Secretary of the Privy Council, 13 March 1798.

when they are coining it: at present they are not."[1] That also helps to explain tokens and truck.

The buying and selling of gold went on almost automatically, very few decisions about it being entered either in the minutes of the Court or in those of the Committee of Treasury. All transactions are naturally entered in the Ledgers, but without the names of buyers or sellers. The record is entirely impersonal and leaves the impression that it was impersonal also for the Court and even the Committee. Evidently the general policy of the Bank was, as described in 1797, that of letting the gold come to it instead of going out to look for the gold.[2] The heavy dealings in gold during the seventies were not a result of the Bank's initiative but simply of its being made agent for the government in connection with the recoinage.[3]

The price to be paid for Portugal gold is discussed by the Court in 1773, but is passed on for decision to the Committee.[4] Such decisions had to be taken and they remained in the Committee's hands; but the rest was normally left to the Bank's brokers, Mocatta and Goldsmid. In August 1781, for example, Mocatta reports that "about 1000 oz. of gold was wanting which he supposed would rather help the exchange, if permitted to be sold".[5] The Committee, being a little anxious about the exchanges just then, sanctioned the sale, the Governor securing the good price of £3. 19*s*. 6*d*. an ounce, which suggests a perceptible depreciation of sterling towards the close of the long and difficult war of American Independence.[6] In March 1790, at a time when dealings in the precious metals are very active, Mocatta and Goldsmid want 16–22,000 oz. of silver for India and 250 oz. of coined gold (foreign coin) "for shipping". The silver is given them at 5*s*. 1*d*. and the gold at £3. 17*s*. 10½*d*. But two days later they report

[1] *Letter-book*, 1783–1804: letter of 21 Sept. 1791.

[2] See p. 173 above.

[3] See p. 175 above.

[4] *C.B. S*, 25 Nov. 1773.

[5] *C.T.* 1779–82, 28 Aug. 1781.

[6] The Mint price being £3. 17*s*. 10½*d*.

that the gold had been asked for by Mr Baring. He had made a mistake about it and wished to cancel the contract. And it is cancelled without any direct dealings between Baring and the Committee.[1]

A decision of the Committee, of May 1791, shows how completely the business in gold and silver had been delegated to the brokers working through the Bullion Office. That Office is to make a weekly return of all buying and selling of specie and bullion for account of private merchants.[2] The big transactions with the East India Company—which were mainly in silver, but now and then included a little gold—were handled by the Committee direct, the broker being only given general advice of them. Decisions on broad questions of policy inevitably remained with the Committee, such as that of May 1792 "not to sell any Portugal gold to any person whatever";[3] but, subject to such decisions, day-to-day sales and purchases were the business of the Jewish brokers.

The situation was complicated during the eighties and nineties, by a slackening in what the Committee described as "the usual supply of gold from Portugal". This supply they told Pitt in October 1792 "had ceased for some time past". The flow had indeed been reversed. The reversal was due to special causes connected with the trade balance;[4] but the slackening in the "usual" flow from Portugal was the result of a contemporary slackening in the output from the Brazilian mines which were the main source of Portugal's supplies of new gold, although she got a certain amount from Africa. The Brazilian output for the eighties and nineties was not half what it had been for the forties and fifties.[5] There was less new gold coming on to the market,

[1] *C.T.* 1789–91, 16 and 18 March 1790.

[2] *C.T.* 1789–91, 7 May 1791. [3] *C.T.* 1791–95, 30 May 1792.

[4] *C.T.* 1791–95, 16 Oct. 1792. Cp. p. 267 below.

[5] These are Soetbeer's estimates, quoted in *Handwörterbuch der Staatswissenchaften* (3rd ed. 1910) v, 34. The round figures of output are 1741–60, £40,500,000; 1781–1800, £19,000,000.

and Europe's needs had to be met to a greater extent than formerly by the distribution and redistribution of existing stocks of that very durable commodity. This increased the importance of shifts in the balance of trade and in currency policies. But it is far from certain that such deep underlying deposits of fact were familiar in the Bank Parlour—or even to Messrs Mocatta and Goldsmid, though there were enough shrewd business men of Jewish race in South America to tell them how the gold was flowing.

In its dealings with clients, the Bank of the later eighteenth century had inherited from the earlier the well-established systems of the pass-book and the cheque. From the twenties "my bank book" had recurred regularly in clients' correspondence. A tradesman of 1730 will authorize his apprentice to "write off or draw" from his account, "he always bringing my bank book and not otherwise".[1] People find out this or that "by their book", and some are exacting about it. Sarah, Duchess of Marlborough, who in the forties once asked the Bank to give her some pens because she "could get none that were good", also wanted "the person that writes out my accounts" to state where rents were paid, "from Kent...and so on", and begged the Bank not to enter anything under "sundries"—"for that likewise puzzles me to think what it is".[2] Whether all these requests were complied with we do not know. We do not even know whether Sarah got the pens; but her letter gives a good impression of what an early eighteenth-century bank book might contain on either side of the account. Rents were paid into Sarah's account direct and they were paid out by her banker's order.[3]

The cheque, ceasing to be called a drawn note, was in regular

[1] *Register, No. I.* The volume contains little except such customers' authorizations.

[2] *Register, No. I*, letter of 22 April 1743. This letter has been printed by Mr J. A. Giuseppi in *The Old Lady*.

[3] See p. 143 above.

and increasing use; but to the end of the century it would appear that this use was still formal and rather exceptional, and that the drawing of a cheque usually resembled more nearly the drawing of a bill or promissory note than, as it does to-day, the taking of notes or cash from one's pocket for an ordinary payment. At the London Clearing House, bankers settled their balances by transfer of Bank notes. Customs and Excise and even subscriptions to government loans were usually paid in Bank notes.[1] What the exact province of the cheque was is not easy to determine. Cheques were only delivered to depositors on their written order.[2] So is a cheque book to-day; but it is not at all certain that in the eighteenth century most depositors signed such orders. They often authorized other people—"servants", relatives, cashiers, company secretaries—to make use of their accounts. A long series of these authorizations survives.[3] They always contain some such phrase as "to write on and off the Company's cash"—that is an early South Sea authorization—but do not always contain the words "also to draw drafts" or its equivalent; although "write off or draw" is the standard phrase. The letter books of the Bank are full of correspondence about notes and bills but contain hardly a line referring to "checks" or "cheques"; and from 1765, when the vote was passed about delivering cheque paper only on a customer's written order, down to 1797 no single question connected with cheques or their use came before the Court of Directors.

Dr Johnson in 1755 defined a cheque, not very intelligibly, as "the correspondent cipher of a bank bill". He was thinking

[1] Clearing can be traced back to 1773; Holland, R. M, "The London Bankers' Clearing House", *U.S. Monetary Commission*, 1910, p. 269. For Customs and Excise and loans see the *Committee on...the Bank*, 1797, p. 128 (Dan. Giles); p. 149 (Hy. Thornton).

[2] *C.B. R*: vote of 19 Dec. 1765. The vote may be starting a policy or, more likely, enforcing a practice that had been neglected. Apparently "cheque paper" (not cheque books) had been handed out rather carelessly.

[3] In *Register*, *No. I*.

of the original check, the counterfoil. Ten years later there is a very modern-sounding literary reference, in which a man is made to say that when on a journey—"if I have no check paper along with me I cannot draw for a single sixpence"; but generally, in late eighteenth-century literature, though guineas are found on most pages and notes are common enough, cheques are exceedingly rare.[1] They seem to have been used mainly in the higher financial and commercial world of London, often as means not of paying a debt but of drawing from the Bank the notes and coin with which debts might be paid. The drawer may be the cashier of a company or of a government office.[2] Not all those even in the higher business world seem to have been well informed about the use of cheques and the conventions associated with it. So late as 1809 the Secretary of the Bank is found explaining to officials of the East London Waterworks that they may draw "checks" down to £5 but not lower. He regrets that he cannot allow them to prepare their own blanks. But "if it will be an accommodation the Bank will furnish checks of a larger size than heretofore".[3] Things that had to be stated line upon line to the secretary of a London waterworks company were not likely to be known to the small merchant or shopkeeper or to anyone who, like most of the men of letters, was not in touch with the upper circles of the City.[4]

[1] The extracts are from the *O.E.D.* which also, with characteristic thoroughness, quotes from the *Court Books* of the Bank votes of 1717, 1721 and that of 1765 quoted above. The words "Checques, Indents or Counterfoyles" occur in an Act of 1706 (5 Anne, c. 13).

[2] Government Office, and other, authorizations to draw collected in the *Register*, *No. I*, suggest this, e.g. 15 May 1746, William Pitt as Paymaster-General of the Forces authorizes his cashier to draw; in 1752 the Brass Wire Company authorizes its Secretary to draw; in 1754 a private client authorizes someone to write off his Bank book £2100.

[3] *Letter-book*, 1804–10: letter of 10 May 1809.

[4] In the North "cheques...had not yet [before 1806] come into common use among traders": Ashton, T. S., *An eighteenth-century industrialist, Peter Stubs* (1939), p. 113.

CHAPTER VII

THE BANK AND THE CRISES OF THE EIGHTEENTH CENTURY

AS the eighteenth century unrolls there begins to appear, and in the second half very clearly, evidence of that recurrent flow and ebb of economic activity which to-day is called the trade cycle. The years 1753, 1763, 1772–3, 1783, 1793 are all marked by some culmination, usually amounting to a danger point or crisis, in English or European economic affairs. For the earlier part of the century any apparent rhythmical sequence is much less clear. The Bank itself came into existence in the boom of the 1690's which ended in the crisis of 1696, when it suspended cash payments. After a spell of bright peace-time trade, trouble recurred in 1701, with "depression and even panic". There was dragging discomfort from 1704 to 1708, due mainly to the strain of war, friction between England and Scotland over the Union, and scares of invasion. The years 1710–11 saw something more economic, an insurance boom, a "gambling in life contingencies", the floating of more than seventy insurance companies and, with them, that of the Company of the South Seas.[1] And the country was still at war. After some ups and downs in the years that follow, comes 1720, the classic Bubble year. For the next two decades there is nothing so definite, though the Act of 1733 directed against "the infamous practice of stock jobbing"[2]

[1] Scott, *Joint Stock Companies*, I, 361, 365, 367, 384–5.

[2] Usually known as "Sir John Barnard's Act" (7 Geo. II, c. 8). Barnard, who was Lord Mayor in 1737, sat in Parliament from 1728 to 1761, and was very active. Cp. p. 93 above.

reflects some rather unwholesome financial activities of the early thirties.

Long ago, Stanley Jevons, looking at the rhythmic movement of the later century, and selecting his years in the earlier at a time when its economic history had been little examined, argued in favour of some natural nine to eleven year trade cycle. He tried to connect it with a harvest cycle and that with the cycle of spots on the sun.[1] It was with this brave venture that modern study of these difficult problems began. Since Jevons' day they have taxed the observation and ingenuity of whole tribes of economists and statists.

Seen from close quarters, however, the suggested cycle of the eighteenth century loses much of its superficial appearance of inevitability and obedience to obscure natural law. Three crises of a very familiar sort, occurring when the financial and banking system was assuming its modern form—those of 1763, 1783, 1793—were demonstrably connected with, if not solely due to, the beginning or ending of a war. No one has yet suggested that natural law makes wars begin or end rhythmically.[2] There may be, there probably is, a tendency for confidence leading to over-confidence and then disappointment and perhaps disaster to recur at fairly regular intervals in commercial societies. In modern

[1] "On the Study of Periodic Commercial Fluctuations" (1862); "The Solar Period and the Price of Corn" (1875); "Commercial Crisis and Sun Spots" (1878–9), in *Investigations in Currency and Finance* (1884).

[2] Sir William Beveridge argues ("The Trade Cycle in Britain before 1850", *Oxford Economic Papers*, 1940) that the cycle "at least from 1785, and possibly before this"..."cannot be explained away by external accidents of war or domestic politics". His attention is concentrated on industry, and he suggests, very plausibly, that the cycle begins to take its modern form when industry does the same, that is late in the eighteenth century. Sir William is not exactly arguing for a 9–11 year cycle. His suggested industrial peak years are 1792, 1803, 1810, 1818, 1825, etc. which fit the contemporary view that 7–8 years is "normal". I have no wish to "explain away" the cycle by reference to such "external accidents" as war; but economists are rather apt to write about it without adequate consideration of these "accidents".

industrial societies there is apt to be some rhythm of equipment and re-equipment with durable capital goods. Spells of such confidence and such equipment or re-equipment tend to coincide. But the composition and environments of the societies, both economic and political, vary so much from time to time that quite regular results are hardly to be expected. For the early eighteenth century, down to the year of the South Sea Bubble, the closest study ever given to a rather remote problem of this sort led to the conclusion that the nine to eleven year rhythmical cycle could not be traced, nor indeed any other.[1]

As for the Bank of England, whether boom and slump are rhythmical or not, it was the product of a boom. Its early days were speculative—a part of that boom. It over-lent and it over-issued. But the crisis in which it finally had to suspend cash payments, that of the recoinage, was not its immediate fault and not a necessary part of the boom conditions in which it was born, although those conditions had been encouraged by its own rather reckless infantile staggerings. Perhaps its indiscretion had complicated the problem of recoinage by driving up the sterling price of silver;[2] but the direct cause of trouble was official blundering and mismanagement.

Between the Peace of 1697 and the first blowing out of the great Bubble in 1720, nearly all the Bank's most difficult moments can be explained without calling in the help of rhythmical economic fluctuations—short or long. The explanation is usually political or half-political. In 1701 the Bank is pressed in connection with the struggle between the two East India Companies, and we hear of an organized run on it. These stories of organized runs are not all certainly authentic.[3] The more trustworthy of

[1] Scott, I, 468.

[2] This is only a perhaps. The problem is very complex. The latest discussion, in an unpublished London thesis of 1940 by Mr Ming Hsun Li, argues against the view that there was inflation in 1696. Cp. p. 36 above.

[3] Cp. p. 62 above.

them have often a political background. There is a scare of a French invasion or a Jacobite landing, and the Bank's domestic enemy takes the occasion to make his thrust, if he really made one. Or someone says that Queen Anne is dead when she is not. A well-dressed galloping horseman shouts the false news and there is a short scramble for money. During the Jacobite rising of 1715 the Bank was not in grave distress[1]—the Bank of Scotland stopped payment as one might expect—and for what distress there was the political explanation is fully adequate.

But the Bank ledgers do contain at least a suggestion that the "bubbling" years 1710–11, in which so many insurance projects were floated—and the South Sea Company—may have put an economic boom strain upon its resources. Whereas at the end of August 1709 there was £352,000 in the "Treasury or Vault" and £290,000 of "cash"; and at the end of August 1711, £654,000 in the Treasury and £182,000 of cash; at the end of August 1710, though the cash stood at £200,000 the Treasury was down to £96,000.[2] Whether the cash was all coin of the realm we cannot be sure: we do know that twenty years later most of it was in the form of the Bank's own unissued notes.[3] That may have been so in 1710,[4] when it probably also included some goldsmiths' notes. Whatever the composition of the cash, the Treasury was very empty.

The government was pressing for advances to carry on the war.

[1] It was in a very strong position when rebellion started. The Pretender's standard was raised on 3 Sept. The battles of Preston and Sheriffmuir were fought in November. On 31 Aug. the Bank had £725,000 in its "Treasury or Vault", £276,000 of "cash" and £97,000 in its "account of gold". Its liabilities were £948,000 of "specie and cash" notes, £31,000 of "accountable notes" and £179,000 of drawing accounts (*G.L. V*, f. 711). Whatever the "cash" was, there was excellent cover for the liabilities in case of a run. A year later the position was even better—Treasury, cash and gold £1,972,000; notes and drawing accounts £1,891,000 (*G.L. VI*, f. 265).

[2] *G.L. IV*, ff. 247, 428, 623. [3] See p. 293 below.

[4] This is not very likely however: notes with printed values were not issued till 1725: Acres, *The Bank of England from Within*, I, 157.

The Bank was trying to influence political appointments by the threat that changes in the cabinet might impair credit. Anderson the chronicler says that the changes which nevertheless came, especially the dismissal of Godolphin in August, "had occasioned the Bank to be much run upon".[1] Certainly balances in the drawing accounts were abnormally low at the end of that month.[2] So perhaps the emptiness of the Treasury is to be explained by circumstances that were primarily political; but there remains the possibility of a drain connected with the promoting and gambling activities of a year in which the Statute Book contained a law—not the first—against "assurances on marriages, births, christenings and services"; and against unlawful lotteries.[3]

The Bank of the early years was a speculation with an uncertain future; the Bank of the mid and late eighteenth century was an institution. The turning-point in its life history came with the South Sea Bubble and Walpole's administration. Half a century later Adam Smith, who disliked joint-stock companies, spoke of them as only suited to routine businesses such as banking. But in fact all the early companies from the East India Company to the Bank were ventures, working in fields where precedents had to be set and experiments made.[4] No doubt the Bank took over a good deal of well-developed banking routine from the goldsmiths. But there were no set precedents for the conduct of what was at once a national and a profit-making bank. It was combative, adventurous, a part of each speculative movement in succession, not that "Capitol of old Rome", that rock of refuge around which the waves of speculation might beat, to which an

[1] Anderson, *History of Commerce*, II, 4; for the political situation see p. 74 above.

[2] Only £126,000: *G.L. IV*, f. 428. In no other year between 1707 and 1715 were they below £152,000 and the average for those years, excluding 1710, was £174,000.

[3] 9 Anne, c. 6.

[4] Adam Smith, *Wealth of Nations*, II, 246. Smith's view was decisively refuted by Scott, *Joint Stock Companies*, I, 448 sqq.

admirer compared it in 1720—when in fact is was only just getting out of the fight for life and place.[1]

It had fought the Land Bank project; taken sides, though discreetly, in the struggle between the two East India factions; tried its strength in the highest politics when it attempted to influence Queen Anne's choice of ministers; and manœuvred cautiously from the first against its rival for public favours and privileges, the South Sea Company. Combative and adventurous, it was not above joining in speculative activities. Its early dividend policy had been daring, sometimes unsafe. It divided all it could, and more. No one then called it a part of the British Constitution as Lord North did two generations later. In those elderly, sober years, when Adam Smith wrote and North spoke, there is no doubt a routine in all its ways. The forces of commercial activity and speculation play on it. They may be affected by its now traditional methods of business; but there is little chance that it will take any deliberate part in speculative movements; stimulate unwholesome activity; or do consciously any of the things that prepare the way for the crisis of the trade cycle.

It was precisely in the Great Bubble year that for the last time the Bank took an active, and misguided, part in that keen competitive finance which, in some form, normally precedes a crisis. It bid against the South Sea Company. Fighting for position with it and perhaps blinded by some current delusions on capital and credit, from May to October 1720 it lent money freely, very freely, on its own stock. At the August balance these loans stood at £948,000.[2] No doubt members of the Court of Directors, all necessarily large stockholders, realized that stock which carries borrowing rights will appreciate. The price was already too high, at 200: the highest was 265. Fortunately for its reputation and its

[1] See p. 84 above.

[2] *G.L. VII*, f. 2. Cp. p. 84 above. Richards, R. D., *The First Fifty Years of the Bank of England*, p. 251, mentions the April-May votes but not the October vote.

future, the Bank was never betrayed into the far wilder, and absolutely dishonest, finance of the Company.

In spite of this free lending, there was still on 31 August 1720, when deflation of the Bubble had just set in, £991,000 of treasure in the Bank's Vault and some hard cash in the tills.[1] No doubt the loans had been mostly made in paper. There were over £1,000,000 more notes out at that time than there had been a year earlier. And in spite of its £991,000, the Vault was emptier by nearly £250,000 than it had been in August 1719. Yet in August 1718 it had been lower than it was in August 1720; so that on the whole the state of the balance in the latter year may be taken as a sign of strength.[2]

From 1721 the Vault was filled up again. Its content rose intermittently to a maximum for the twenties of no less than £2,939,000 in 1727, besides a small "account of gold". The notes had risen too, by £1,985,000 on 1720.[3] But the ratio between the contents of the Vault and the notes had greatly improved. The Bank was enjoying the solid if coarse gains of life in Walpole's England.

Even Walpole was involved in a war, with Spain, in 1726–8. But it was not a costly war, and everything suggests that the years from 1729 to 1739 were as quiet and comfortable for the Bank as for the country. On the average of the August balances for the three years 1739–41, every note in circulation had a full bullion backing. Since 1721 the Directors had pursued a cautious

[1] *G.L. VII*, f. 2. See Appendix C.

[2] Notes, 31 Aug. 1720, £3,033,000; 31 Aug. 1719, £1,939,000. Vault, 31 Aug. 1720, £991,000; 31 Aug. 1719, £1,239,000; 31 Aug. 1718, £841,000. Only the figures for the Treasury or Vault are given in the text because of some uncertainty about the "cash" (see p. 140, n. 3 above, and Appendix C). The "cash" in these three years was 1718, £331,000; 1719, £359,000; 1720, £553,000. This 1720 figure is abnormally high and puzzling. The references are 1718, *G.L. VI*, f. 521; 1719, *G.L. VI*, f. 665; 1720, *G.L. VII*, f. 2, as above.

[3] *G.L. VIII*, f. 365. See Appendix B.

dividend policy, keeping a larger balance in the profit and loss account and declaring the same dividend for years together. From 1721 to 1727 inclusive the rate was 6, in equal half-yearly 3's. For 1728–9 it was 5½; from 1730 to 1732 5¾. In 1733 it reverted to 5½; and it did not vary again until 1747.[1] All through the thirties therefore prices of Bank stock remained, as a rule, very steady, dropping a little with the dividend in 1733 but recovering as market rates of interest fell in subsequent years. With the 5½ per cent dividend of the late thirties, the price normally stood between 140 and 150.[2]

In the annual statements of the thirties the Vault is never credited with less than £2,000,000; and for the year 1739 the figure is £3,125,000.[3] The distinct entries of the "account of gold" or the "account of bullion" show that the Vault was for British coin only, though whether the coin was gold or silver is never stated. Although a good deal of treasure passed through these other accounts, either to the Mint or for export, there were seldom large balances in them before 1729. From that year balances become larger, continuous and more varied. In 1731, for instance, we get "silver bought for coinage", "gold bought", "silver bought" and "gold bought for coinage", to an aggregate of £477,000. In other years appear "silver ingots", "foreign gold coin", "gold bars", "foreign silver coin" and, from 1735 onwards, frequent and large entries of pieces of eight, the Spanish dollars. The British coin in the Vault might not legally be melted

[1] Dividends voted are in the *G.C.B.*: they are set out in Appendix B. It is apparently the larger balance kept from 1722 which started the legend that the "Rest" was formally established in that year. Cp. p. 154 above. The dividends up to 1720 are given in Scott, III, 245. They had kept fairly steady since 1709.

[2] The prices are in several newspapers and, from its foundation in 1731, in *The Gentleman's Magazine*; but before 1747 the *Magazine* gives only monthly, not daily quotations.

[3] From 1729 we have the balances from the *G.L.* summarized in the vol. *Yearly Accounts*, 1729–62, and its successors.

or exported. This law was broken, but not by the Bank. The rest of the treasure could be minted—as the gold normally was—or exported at the Bank's discretion. In August 1739, besides the £3,125,000 in the Vault there were a few thousand pounds worth of silver ingots and "bullion at the mint for coinage"—probably also silver; no less than £649,000 of "foreign gold coin", most likely moidores; £40,000 of "gold for coinage", possibly in bars; and £254,000 of pieces of eight—a fine varied stock of treasure.

If in the early thirties there was any dangerous excess of "stock jobbing" it was connected with active trade—of which we have some evidence[1]—and did not lead to anything that can be called a crisis. The Bank was comfortable. A fall in the funds begins in the summer of 1733. It sets in rather earlier and continues rather longer than the contemporary fall in the prices of Bank stock. The two low series suggest a gentle recession of business activity, but nothing more. Then comes that spell of high prices for "gilt-edged"—Bank stock ranging from 146 to 151—which was the occasion of Sir John Barnard's campaign to secure a general 3 per cent basis for British credit.[2]

War began with Spain in 1739 and continued, with Spain and France, from 1744 to 1748. During all these years there was no real commercial crisis, though the very sharp political crisis of the rebellion of 1745 came when national resources, and with them the resources of the Bank, had been strained by six years of war taxation and borrowing. The strain had only become acute after France joined in the fighting. Before that the leisurely conflict with Spain had hardly affected the prices of government securities. With France's entry they slid away until the peace, and there was a special plunge—followed by recovery—in 1745.

[1] Jevons collected a very little (*Investigations*, p. 212). There is more in Wilson, J. H., "Industrial Activity in the Eighteenth Century", *Economica*, 1940.

[2] See p. 93 above.

In Threadneedle Street, as might be expected, the war years show pressure on the ultimate reserve of treasure. In 1740 the Vault is still very full—£3,771,000. After that it fluctuates, but downwards. It is never again anywhere near £3,000,000. In 1745 (31 August) it is so low as £617,000 and the bullion of all sorts stands at only £808,000; though there is recovery later. The fall is no doubt connected with the contraction of the note circulation that accompanied the slackened commercial activity of war-time. Between 1740 and 1747 the circulation dropped by nearly £800,000, and between 1740 and 1745 by nearly a million. There was not need for so large a stock of hard cash to back it. Yet the figure for 1745 was dangerously low.[1]

As significant as the fluctuations in the Vault are those in the free treasure, directly available for use abroad, or not easily to be got thence when the trade balance is unfavourable, as it is apt to be in war-time. In 1740 the Bank had held no less than £956,000 of foreign gold coin, with another £164,000 of gold bars, gold for coinage, dollars and "bullion"—presumably silver —at the Mint. By 1745 the foreign gold coin was down to £173,000 and all the rest to less than £9000.

With a small sum in the Vault, at 31 August, and this much reduced stock of free treasure, the Bank entered a month of September, and an autumn, which were to prove very difficult. The Young Pretender had landed in July. On 21 September he beat General Cope at Preston Pans. When the news came to London the Bank declined to discount any bills or promissory notes that had more than a month to run, and those only for its regular clients.[2] Its own notes fell to a discount, and the run began in which, as we are told, they were cashed in sixpences to

[1] Figures from the *Yearly Accounts*, as above. From 1729, at latest, we are justified in assuming that there was not more than about £10,000 of coin in the "cash"; the rest being unissued notes. See p. 140, n. 3 above and Appendix C.

[2] *C.B. O*, 26 Sept. 1745.

slow up the pace and save the guineas; perhaps also to prevent guineas being taken out to send to the rebels.[1] The device would hardly have served to prop the credit of the notes, had not more than eleven hundred City men pledged themselves to take Bank notes whenever offered and pay in them so far as possible.[2] How effective this was the prices of Bank Stock for the next two months show. They fell, of course, but only from 141 to 133½. A further fall came in December when the Pretender's army was at Derby. The Bank, short of cash, made a 20 per cent call on the subscribers to "the Circulation", and refused to discount any promissory note that had more than fifteen days to run or was drawn to "take up" another already discounted.[3] The call did not fill the Vault so full as had been hoped. The market price of "the Circulation" collapsed. Yet the price of Bank stock stood up remarkably well. There was a December quotation so high as 127. With a rebel army in the Midlands this is remarkable, even though before this particular quotation was made the Prince's men had faced about for Scotland.

More remarkable still is the way the Bank managed to improve its reserve of treasure during the next eight months. This was probably helped by the call on capital made in Jan. 1746, when the call on "the Circulation" had miscarried.[4] By August the note circulation had risen by nearly £400,000. The Vault was returned at £1,925,000. This is a very large rise on the previous year; it is even above the figure for 1744. Foreign gold coin also was up, and there chanced to be £150,000 of pieces of eight in hand when the balance was struck. This item in the account fluctuated most of all, and the return at any given date

[1] The story appears in Fortune, T., *A Concise and Authentic History of the Bank of England* (1797), p. 12. It comes from Magens, *Universal Merchant* (1753), p. 31: as Magens was in London at the time, and was not a gossiping pamphleteer, it is almost certainly true. Cp. p. 71, n. 1 above.

[2] *The Gentleman's Magazine*, 1745, p. 499.

[3] *C.B. O*: 12 Dec. 1745. For "the Circulation" see p. 68 above.

[4] Above, p. 97.

is not significant. Silver was always being bought in the market and sold again for use in international trade. Sometimes it is entered as held for the East India Company, always one of the principal buyers throughout the eighteenth century; sometimes it is held against a loan to the Mocattas or other dealers in the precious metals.[1]

For the remaining months of a war which ended in April 1748 the Bank continued in reasonable comfort, although during 1747 the Vault was not kept at the level of 1746 and the dividend dropped from the $5\frac{1}{2}$ at which it had stood since 1733 to 5. Peace brought a rapid expansion of the free treasure, especially of the gold, which points to a revival, direct or indirect, of the trade with Portugal; for it was through Portugal that the new gold came into England from Brazil, the Rand of the mid-eighteenth century. A great deal of this gold was minted into guineas. The passing of gold through to the Mint was going on rapidly during the years 1749–52.[2] By October of 1752 the account of gold in bars was empty. That it had often been before: there was not a permanent stock of bars. But it is very remarkable and most unusual to find that the annual statement of August 1753 contains no free gold at all, only the British coin in the vault. Though free gold had often been low, the last time that none at all had been registered in the annual statement was 31 August 1730. In 1753 the account of gold for coinage was empty by May—the metal had gone to the Mint—and that of foreign gold coin by June. There is every reason to think that the foreign coin had gone abroad as the result of an external drain, the cause of which can be suggested with some confidence, if not absolute certainty. The Dutch were important holders of British funds, East India stock and Bank stock. During the war these securities had been cheap and Dutch trade prosperous. After the war Dutch trade

[1] Cp. p. 137 above.

[2] The *Yearly Accounts* contain heavy entries of "gold for coinage" and "gold for the mint", besides the foreign gold coin.

was abnormally depressed for some years.[1] Meanwhile British securities rose fast, the 3 per cents to their absolute maximum price of over 106 in December 1752. Dutchmen needed free capital and English prices were increasingly attractive. Steady realization and withdrawal of the proceeds by foreigners would explain what is found in the Bank's ledgers and mentioned by a foreign contemporary. "England", he says, "being obliged to pay abroad what balances were against her, species became so scarce in 1753 and 1754 that at the bankers of London you could scarcely obtain a payment of one hundred pounds in the lawful gold coin of the country."[2]

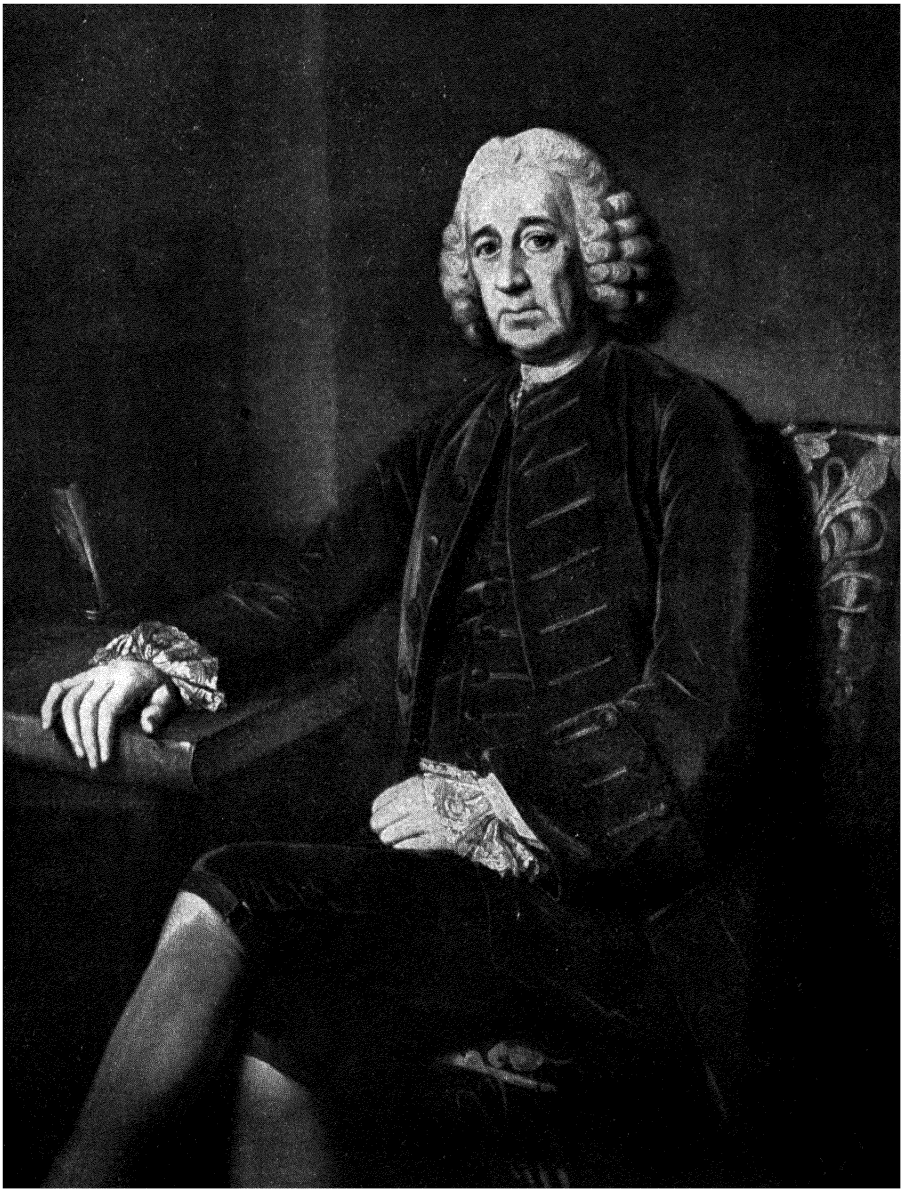
This explanation is supported by the still low level of the free gold at the Bank in August 1754 (£123,000) and its sudden rise in 1755 to £665,000; for between August 1754 and August 1755 there had been a sharp fall in the 3 per cents, of over ten points. The temptation to realize and withdraw no longer existed; and the Bank was in a position to replenish its reserves.

Throughout the Seven Years' War (1756–63) there is no acute banking pressure and again no true commercial crisis. In the difficult year 1753 the Bank had dropped its dividend from 5 to 4½; but it had to go no lower in war-time. The country's resources were strained. Its credit fell and there was often trouble in raising the loans needed for the war. Government had to make use of every available money power—for the loan of 1759, for example, the South Sea and East India Companies, the Dutch or Anglo-Dutch financiers through whom the savings of Holland flowed into the British funds, Jewish capitalists, and solid London merchants and bankers—Martins, Beckfords, Thorntons.[3] The

[1] Wilson, C. H., *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (1941), p. 19.

[2] Quoted in Jevons' *Investigations*, p. 214.

[3] Newcastle MSS. in Namier, L. B., *The Structure of Politics at the Accession of George III* (1929), I, 67, 69. Joshua van Neck and Co., an Anglo-Dutch firm, were Newcastle's most important loan contractors. See Wilson, *op. cit.*



BARTHOLOMEW BURTON *Governor* 1760–1762

Bank was rather short of free gold or silver at that time; but it always managed to keep some balance of both. The British coin in the Vault is first recorded as dangerously low in the statement for 31 August 1763, six months after peace was signed.

The position at that date was about the most delicate disclosed in any of the annual statements of the period. It is worth careful examination because the year 1763 was one of great international tension. There was no true crisis and no collapse in London, but London was, in a sense, the starting-point of the tension, and London had to take the final strain. This it did with success, but the August statement shows what a nice thing it had been and still was. The Bank then held £100,000 of what has here been called free gold, but of this £64,000 was at the Mint and another £1000 earmarked for coinage. It had a mere £4500 in pieces of eight. There was the usual £9–10,000 of coin in the tills and only £253,000 in the Vault. In all the seven years of war the Vault had not fallen below £1,358,000 (in 1759). In 1762 the figure had been £2,375,000. Against this scanty metallic reserve in 1763—£367,000 of every sort in every place—the Bank had £5,315,000 of notes in circulation and another £138,000 in the "store", ready to be put into circulation. It had also a liability of £1,500,000 on the drawing accounts and a further considerable sum for which it was liable in the Exchequer and Audit Roll of dividends on the funds received but not yet paid out to fundholders. There were also some unpaid dividends of its own. It was very busy all the year buying gold and getting it turned into guineas. Against £513,000 issued from the Mint in 1762, £883,000 was issued in 1763. But evidently the guineas had been going out of the Vault much faster than they could be got into it. As a contemporary wrote, the Bank bought gold with notes "and after they had been at this trouble, the notes they had given for it returned upon them and drew it out again".[1]

[1] Steuart, Sir James, *Principles of Political Economy* (1767), II, 199.

During the war England had subsidized Prussia and supplied armies based on Hanover. To do this she had sent hard cash and bills payable in Holland or Hamburg. Hamburg had profited by the fighting in inner Germany, and had developed a speculative trade in grain, timber and military supplies. Frederick of Prussia had exacted from his conquered Saxon neighbours indemnities which had to be financed. Currencies in Prussia and Sweden had been debased; and Sweden had issued paper money to excess.[1] Dutch merchants and financiers were heavily involved in all the business of Northern Europe and had very important holdings in the British funds and in South Sea, East India and Bank stock. These were the favourite speculative counters on the Amsterdam Bourse, which was dominated by Portuguese Jews.[2] Prices of all British securities had fallen low. Early in 1762 the 3 per cents had been down to 63. Bank stock that year touched a minimum price of 91. Throughout the year, however, the 3 per cents were rising fast, and so was Bank stock, in anticipation of peace. Peace came very early in 1763: by March the 3's were at 96 and Bank stock had reached 131.

So soon as he had won the peace Frederick of Prussia—an unscrupulous fighter but a careful householder—began to put his currency in order. He operated swiftly and ruthlessly. Other German states had to follow suit. Prices and exchanges fell into chaos, and recoinage kept the supply of cash at a minimum. The silver supplies—abundance of ingots were available—were mishandled by the Bank of Hamburg; silver passed to Amsterdam, to firms who had made advances in Germany, and adjustment of currencies was further delayed. There was great confusion in the discount markets, for the granting of credits and drawing of bills

[1] See Wirth, M., *Gesch. der Handelskrisen* (1890), p. 86 sqq.; Baasch, E., *Holländische Wirtschaftsgeschichte* (1927), p. 237; Wilson, *op. cit.*, p. 167 sqq.

[2] When regulations for a settlement day were signed in 1764 by 41 members of the Bourse, 36 or 37 were Portuguese Jews: Smith, M. F. J., *Tijd Affaires in Effecten*, p. 143, quoted in Wilson, C. H., "The economic decline of the Netherlands", *Ec.H.R.* 1939, p. 121.

imperfectly secured had been overdone, especially at Amsterdam.[1] Heavy Dutch lending to England had left some of the discounting and loan-issuing firms, the "bankers", of Amsterdam short of funds with which to carry on until business could be straightened out.[2] Their selling in England, now that English securities had appreciated, is shown by the fall of the 3 per cents and of Bank stock from March 1763. The 3's fell from 96 to 82 in nine months and Bank stock, although the dividend kept steady, from 131 to 113 in August and 110 in October.

The August fall followed the acute phase of the crisis which set in at Amsterdam late in July and spread to Hamburg, Stockholm, even Berlin. On 25 July Neufville Bros., a young but powerful and adventurous firm, stopped payment. Though they sold "goods, ships and securities"[3]—like so many Dutch firms, their business was comprehensive—they could not avoid bankruptcy. With August there came many other failures at Amsterdam, and in all the leading North European towns. In England the number of bankruptcies rose sharply towards the end of the year and continued high into 1764. But this number never approached that of true panic years.[4] No firms of outstanding importance collapsed; so far as is known. England's function, successfully performed, was to give what help she could to the continental houses in difficulties. It it said—and although there is no note to this effect in the Court Books, it may well be true—that the Bank and the principal London bankers agreed "to suspend the payment of

[1] de Jong-Keesing, E. E., *De economische Crisis van 1763 te Amsterdam* (1939); Baasch and Wilson, as above; Bloom, H. J., *The economic activities of the Jews of Amsterdam in the Seventeenth and Eighteenth Centuries* (1937), p. 197.

[2] The typical Dutch "banker" of the eighteenth century was a merchant and bill-dealer whose firm was also a finance-house, often specializing in loans to some particular foreign government.

[3] de Jong-Keesing, p. 217. This firm, Gebroeders Neufville, was distinct from the very old sound firm of J. I. de Neufville & Co.

[4] There is a graph of bankruptcies on the chart in Jevons' *Investigations*. They are rather high but in no way abnormal in these years.

their own bills" so as to keep their resources free for the work.[1] Adam Smith had heard a story that the Bank at this time advanced for the assistance of merchants, English or foreign, "in one week, about £1,600,000; a great part of it in bullion. I do not, however," he wisely adds, "pretend to warrant either the greatness of the sum, or the shortness of the time."[2]

The bullion drain shows clearly enough in the figures already quoted. There was heavy discounting all the year, and particularly heavy in the autumn. On several days upwards of £200,000 worth of bills were dealt with; though that rate was never kept up for a week, nor anything like it. The highest figure for any one week is £537,337 at the beginning of October.[3] There were, however, other ways than discount by which bullion could be drawn from the Bank. The note circulation at the August statement in 1763, though excessive in relation to its metal backing, was nearly £600,000 less than it had been a year before and nearly £900,000 less than it would be a year later.[4] Who did the discounting and who may have cashed the notes we do not know. They may have been the same people, for it was usual to pay out notes not coin in the discount business. Adam Smith's story cannot therefore be precisely checked. He knew well enough that it was a story—not an exact picture of what happened but an indication of the sort of thing that was happening. As such it may be accepted.

The financial storms of 1763 on the continent and their reactions in England happened during years in which Scotland was flooded with small and dubious paper money; but although Scotland and Holland had intimate commercial relations no connection can be demonstrated between the Scots' note mania

[1] Macpherson, *Annals of Commerce*, III, 372–3. The policy may have been decided by the Committee of Treasury or adopted without vote by the Committee in Waiting.

[2] *Wealth of Nations*, I, 303.

[3] *G.L. XIII*, f. 104 sqq., f. 139 sqq., f. 160 (early October).

[4] Aug. 1763, £5,315,000; Aug. 1762, £5,887,000; Aug. 1764, £6,211,000: *Annual Statements*. See Appendix B.

and the Dutch troubles. For one thing the mania was a longer affair. "It prevailed chiefly", as Adam Smith said, "in 1762, 1763 and 1764",[1] and was not ended until an Act of Parliament in 1765 forbade the issue of notes for less than £1, and of notes with what was called the optional clause. This was a device by which the issuer of a note promised to pay it on demand or, at his option, six months later with interest. It enabled bankers to hold on to cash when short of it by threatening their clients with the application of the clause, and inevitably led to a discount on a class of notes which constituted at that time far the greater part of the currency of Scotland.[2] These optional clause notes were accompanied by the grotesque multitude of small notes, not issued by regular bankers, who it appears never went below 5*s.* 0*d.*, but by all sorts of individuals and petty companies. They were for sums varying from 2*s.* 6*d.* sterling to 1*s.* 0*d.* Scots = 1*d.* They included notes offering to pay "in money or drink" or in "books, coffee, or ready money". As a result of the financial disturbances and shock to credit which this reckless issue produced, the two principal Scottish banks abruptly curtailed their loans on personal security in 1762, with rather disastrous consequences.[3]

All this has not much to do with the Bank of England, but there is at least one point of contact between the Scottish notes and the general financial story of these years and the strain on the Bank's reserves in 1763. Scotland was chronically short of hard cash, and had been before notes became common. Gold,

[1] *Wealth of Nations*, I, 308. And cp. p. 160 above.

[2] Cp. Steuart, Sir James, *Principles of Political Economy*, Bk. IV, ch. 14; Graham, *The One Pound Note*, p. 80.

[3] Kerr, A. W., *A History of Banking in Scotland*, p. 86 sqq. There is a considerable pamphlet literature about these Scottish banking troubles, e.g. *Considerations relating to the late Order of the two Banks established at Edinburgh* (1762); *A Letter on the conduct of the Banks* (1762; a reply). The *Essay on Paper Circulation* discussed on p. 99 above, and almost certainly the work of a Scot, was probably an indirect outcome of the troubles.

never abundant in the poor country that she was, had been almost entirely replaced by notes. Her bankers had difficulty in keeping up even a tolerable stock of silver. Hence the optional clause and the small note. Scottish writers complain of the tricks of English bullion jobbers and of the suction of coin to England to meet war expenditure.[1] There can be little doubt that this suction would be at its height when the Scottish note issue was also, that is to say in 1762–3. Yet the small stock of treasure, mostly silver, which could be sucked out of Scotland cannot have gone very far to meet the final needs of London and the Bank. And it cannot be followed in the Bank records where, if it entered them, it would have left only a very faint trace.

During the politically and economically peaceful years after 1763 the Bank extended its general, and particularly its discount, business in the new environment of commercial and banking institutions that was taking shape;[2] and so was able to work up its dividend from the 4½ of 1763 to 5½ in 1768, a figure at which it stood for the next twelve years.

From the British point of view, and from that of the Bank of England, Scottish firms and Scottish affairs are predominant in connection with the commercial crisis that recurred during these years, with apparently inevitable rhythm, in 1772–3. In fact Scotland played only a small and Britain perhaps not the most important part in a spell of projection, speculation, over-trading and kite-flying whose effects were felt as sharply in Amsterdam and Hamburg, even in Stockholm and Petersburg, as in London or Edinburgh. But here one must concentrate on Britain and the Bank. According to Adam Smith, and on this matter he was very well informed, the raising of money for commercial enterprises by the methods of drawing and redrawing—*A* on *B* and *B* back on *A*—and circulating chains of bills, drawn in succession to replace one another, had been encouraged by the ease with which all bills of exchange could be discounted. The practices, well

[1] Kerr, p. 89.

[2] Cp. p. 158 above.

known in Holland, had been widely used in England during the war of 1756–63, and had been adopted in Scotland where capital was short and enterprise abundant. Men gambled on the chance of making profit enough in some venture or other to meet the heavy costs in interest and commission of their kite-flying before those costs fell due.[1] These were among the abuses of that system of trading on borrowed capital which was spreading fast in Britain, with ultimate benefit to trade and the country, but not without grave risks.[2]

Scotland's connection with London was becoming closer every year. Scottish names were now prominent in London banking and commerce.[3] The inland bill on London could be utilized in all sorts of ways by adventurous people from beyond the Tweed. By 1769 a group of prominent Scotsmen who found that the daring world of Scottish business was not content with the facilities offered by the old chartered banks—their discount policy was too conservative—had started a new one, Douglas, Heron and Co., the Ayr Bank. Douglas and Heron were men of social position; among the members of the great copartnery were two Dukes and two Earls. The new bank had both branches and agencies. It issued paper to excess. When the notes came back on to its hands, it raised funds by bill transactions with London, where a formidable debt was accumulated. Some of its financial transactions were worse than dubious.[4]

Meanwhile in London the conversion of a large block of 4 per cents into 3's,[5] accompanied by lottery prizes to tempt people to convert, had both stirred gambling instincts and set investors

[1] *Wealth of Nations*, I, 292. Smith's account is fully confirmed in Sir William Forbes' *Memoirs of a Banking House*. Forbes (1739–1806) left this MS. at his death, but it was not printed until 1860.

[2] Cp. Powell, *The evolution of the...Money Market*, p. 123.

[3] See the appearance of Scottish names in the books of the Bank referred to on p. 153 above.

[4] Macpherson, *Annals*, III, 524 sqq.; Kerr, p. 96 sqq.

[5] By 10 Geo. III, c. 46.

looking for higher yields on their money. At Amsterdam there was much kite-flying and much speculation, especially in the stock of the English East India Company, which was a favourite speculative counter in London also. And while its stock was being so employed, the East India Company was itself in a difficult position owing to the expense of its growing political and military commitments. When the general state of business became awkward, in the course of 1772, the Bank was less willing to grant credits to the Company than it had normally been. Instead of agreeing to them as a matter of course, with no questions asked, it is found in July requiring "security to the satisfaction of the Committee of Treasury" for a £300,000 advance.[1] In November it is pressing for half a million, "part of your loan of £600,000" "out of the first money arising from the present September sale [of East India produce] agreeable to the repeated promises" of your "Chairs".[2] The Governor of the Bank had already been conferring with Lord North about the East India debt; for the Treasury also had a claim for a prompt payment of £204,000 from the Company—customs duties overdue. The Company argued that the claim had priority over all others. North agreed that it had; but said that if it were met by 1 December the Bank's claim should come next.[3]

The result, in January 1773, was a letter sent not to any committee of the Company but to the whole Court "to demand payment of the large debt...however tender we would wish to be of distressing your Company at present", because payment had been "repeatedly promised".[4] The upshot, to be dealt with later, is hardly part of the history of the crisis of 1772–3; but this pressure of the Bank on the debtor Company throughout 1772 is very closely connected with it. The Bank was doing its best to support houses in difficulties, and naturally wished for the help

[1] *C.B. S*, 30 July 1772. [2] *C.B. S*, 26 Nov. 1772.

[3] A letter from the Committee of Treasury quoted in the above minute.

[4] *C.B. S*, 28 Jan. 1773; quoted also in Acres, I, 202.

—which it did not get—of so reputedly strong a neighbour as the Company.

Early in 1772 it had tried to put a brake on over-trading by a selective limitation of its discounts, a policy which it had often adopted before. This exposed it to criticism, like the Edinburgh banks, from those whose paper it rejected; but it was obviously in the right.[1] It was in touch with the Ayr Bank; may have guessed that it was trying, as Adam Smith thought, "to supplant all the other Scottish banks"; and certainly knew, again to quote Smith, that "all the dealers in circulating bills of exchange...had recourse to this new bank where they were received with open arms", and allowed to do business freely. It would also know that the reluctance of the old Scottish banks to do the riskier business had concentrated the explosive material at Ayr—so that in the end they "were enabled to get very easily out of that fatal circle".[2]

The aristocratic names behind the Ayr venturers had given the firm a good name in London. It had done business with the Bank and with many London bankers and commercial houses. Every one was interested in averting a crash, if that were possible. It hardly was. In May the direction at Ayr tried to limit the commitments, but too late.[3] Next month the misconduct of a London Scot, a correspondent of theirs, set the train alight that blew them up. Alexander Fordyce, an attractive and plausible Aberdonian, had made one fortune and lost another by ventures in the funds and East India stock, had married an Earl's daughter, and become

[1] There is no vote of Court about limiting discounts, but we have the criticism—a letter to the press quoted in Acres, I, 200. No doubt the restrictions were exercised by the Committee of Treasury and the Committee in Waiting. There is reason to think that they applied mainly (and reasonably) to the paper of Scots and Jews with Amsterdam connections. It is said that the immediate cause of Fordyce's collapse was the refusal of the Bank to discount a bill of his on an Amsterdam Jew: Bloom, p. 201. Cf. Wilson, p. 178.

[2] *Wealth of Nations*, I, 296–9. And see Forbes, *Memoirs*, p. 40 sqq.

[3] Kerr, p. 100.

partner in a banking firm. This firm stopped payment on 10 June and Fordyce absconded. Within forty-eight hours the news was in Edinburgh and firms were breaking right and left. Later came a run on the Edinburgh office of Douglas, Heron and Co.; the fall of more merchant and banking houses, of which the most prominent was William Alexander and Sons; and the closing of the head office of Douglas, Heron and Co., at Ayr.[1]

The Bank had become very cautious. Having undertaken some heavy discounting for the Ayr Bank, it offered to extend the facilities up to £300,000, inclusive of the business already done, but on exceedingly stiff terms—a bond from the firm for the whole amount; collateral bonds from the Dukes of Buccleuch and Queensberry, and from Douglas and Heron; a deposit of government securities and an offer of mortgages.[2] It had promises of support from a meeting of London merchants, but we do not know just what value these promises had.[3] Conclusion of an agreement with Douglas, Heron and Co. was left to the Committee of Treasury. The agreement was not concluded. The terms were too severe. A few weeks later, on 30 July, the agents of the Scottish firm asked for a reduced credit of £150,000, on the security of the firm's bond alone and "the bankers' acceptances".[4] We hear of them borrowing elsewhere on most onerous terms. But the Bank was not satisfied. The Directors knew that Douglas, Heron's partners had large resources which could be drawn on if the bank were wound up.

In the end it was. It resumed a curtailed business in September, but only held out until August 1773. Masses of landed property,

[1] Forbes and Kerr, as above. Fordyce is well sketched in Hilton Price, *A Handbook of London Bankers*, p. 120. Forbes (p. 9) describes Alexanders as "money dealers", but whose main business was to supply the French *régie* with tobacco imported *via* Glasgow.

[2] *C.B. S*, 2 July 1772.

[3] Macpherson, *Annals*, III, 524.

[4] *C.B. S*, 30 July 1772. According to Forbes (p. 42) the Bank held precisely £150,000 of Douglas, Heron's promissory notes and would now go no further: Douglas, Heron wished to have this credit extended.

up to £750,000 it is said, came on the market to meet the unlimited liability of shareholders. Their actual losses have been estimated at a not much smaller figure—£663,000.[1]

Meanwhile crisis and panic had come and gone in London, the panic of 22 June 1772, when "an universal bankruptcy was expected; the stoppage of every banker's house in London was looked for. The whole City was in an uproar; the whole City was in tears" as the *London Chronicle* put it.[2] Fordyce's firm—Neale, James, Fordyce and Co.—had been declared bankrupt. Much worse, on 22 June, the strong house of Glyn in Birchin Lane—Glyn and Hallifax as it then was—had stopped payment. One reported effect of the panic the Bank may have welcomed. In their anxiety about the future of the private firms, so many people it is said transferred their cash to its charge that extra clerks had to be taken on to meet the rush. What this really amounted to we do not know. We do know that the Bank was discounting liberally in June, especially just after the crisis. Its highest day's business just before the crisis had been £386,513. On 23 June the figure was £387,756 and on 25 June, £529,265, or nearly as much as in the busiest whole week of 1763.[3] During the five months before June business had only exceeded £200,000 on nine days all told. Normally it was very much less. With the end of June it fell away sharply. Very busy days seldom recurred. The slackening, first of tension and then of business activity, can be felt through the figures.

At the August balance of 1772 both the Treasury and the gold outside of it were very low—£684,000 and £243,000 against a note circulation of nearly £6,000,000. As it happened there was a big stock of pieces of eight, worth £664,000; but these flowed

[1] Kerr, p. 107. [2] Quoted in Acres, I, 201.

[3] *G.L. XIV*, f. 230. At the Victorian crisis of 1866 the Bank advanced on 11 May more than £4,000,000, "an unprecedented sum to lend in one day" as the Governor wrote to the Chancellor of the Exchequer (*C.B. Oc*, 11 May 1866). In view of the changed scale of business during the intervening century the £529,265 of 25 June 1772 is quite comparable with this.

out fast in succeeding months. A year later only £86,000 remained. By that time the total of gold had increased by no more than £31,000 and there were £75,000 more notes in circulation.[1]

Evidently this sustained pressure on the Bank's reserves in 1773 was connected with the spread of the crisis from England to the continent during the latter part of 1772. London and Amsterdam were in very close touch. Fordyce the speculator had Amsterdam connections. The same complaints had affected both markets—gambling in shares and commodities; abuse of the bill of exchange. Actual panic began at Amsterdam with the fall of a very great house, far greater than any of those that got into difficulties in London.[2] Clifford and Sons, merchants and international financiers, were an older firm than the Bank of England. They had been among its earliest correspondents.[3] Moreover in 1772 they were in debt to it when, on 27 October, they broke.[4] Speculative operations in English East India stock were a prime cause of their failure. Many firms came down afterwards, Christian and Hebrew, small and great. In January 1773 the City of Amsterdam opened a Loan Chamber to help them out, the Chamber in its turn being supported by the still powerful and efficient Bank of Amsterdam.[5]

With Amsterdam, every northern centre where it had financial and commercial relations was affected—Hamburg, Stockholm, Petersburg—but in none of these was there serious disaster. At Stockholm the bank is credited with giving judicious support to all sound firms; and at Petersburg the Empress Catherine is said

[1] *Yearly Accounts*, 1772, 1773. There was also the usual £9–10,000 of coin in the tills.

[2] Baasch, p. 239; Wilson, p. 178.

[3] See p. 27 above.

[4] The debt, mentioned in Dutch sources, cannot be precisely traced at the Bank. It is no doubt hidden in the aggregate of the discounts. On 27 Feb. 1773 the drawing account of "Mr George Clifford, a bankrupt" was closed.

[5] van Dillen has shown that, contrary to an older opinion, the Bank of Amsterdam was perfectly sound up to 1781: *History of the principal Public Banks*, p. 109.

to have assisted her "best customers, the British merchants".[1] But the strain was not eased until towards the end of the year. Communication was slow; bills might have many months to run; the courts of law were no quicker than the communications.

One episode of the crisis of 1772 is very prominent in the internal history of the Bank and of some importance in that of its public policy. It arose out of the failure of the Edinburgh house of William Alexander and Sons. They owned sugar estates in Grenada; and the Bank—which had given them credit—became interested in a mortgage on the estates. The fact that the original mortgagees were in France greatly complicated the business. Then the War of American Independence broke out; the French captured Grenada; and the Alexanders, now bankrupt, fled to France to claim French citizenship and the properties. While war was still in progress the French courts decided in favour of the Bank (they were civilized men in the eighteenth century!) and at the Peace of 1783 Grenada became English once more. For years the French names of the estates—Bacolet and Chemin[2]—are more prominent than many much greater affairs in the Court Books of the Bank. They were not sold till 1790, for £100,000. The original debt of Alexanders, the failure to meet which had led the Bank to foreclose, had been £160,000.

In the history of banking policy the importance of this Grenada episode is that, although there is no note or written record, it certainly confirmed the Court of Directors in its dislike of real property or mortgages as a banker's security. Tried by the Bank in its experimental youth, mortgages had subsequently been abandoned.[3] Now and then they are suggested for collateral as in the Douglas, Heron negotiations. But this is very rare. Until

[1] Macpherson, *Annals*, III, 534.

[2] Rivière du Chemin is its full name. The story is told in Acres, I, 202–4.

[3] See p. 114 above. Sir James Steuart stated roundly in 1767 (*Principles of Political Economy*, II, 148) that "the Bank of England does not lend upon mortgage": this fairly represents the general policy.

it had been pressed by the state to help landowners after 1815, and had watched the income from discounts dwindling, the Bank's records show that it regarded mortgages as no proper part of its business. "We never make advances on title-deeds", the Secretary of the Bank was explaining to a correspondent in 1817;[1] always and only on approved personal security, the bonds of strong firms in London. A year earlier the Committee of Treasury had stated that "the Bank had never yet lent money on mortgage".[2] This was not true, but it shows how well established the policy then was.

The financial difficulties of the East India Company at the time of the crisis of 1772 were a part, though a subordinate part, of the new problems of Indian administration for which a preliminary solution was attempted in Lord North's Regulating Act of 1773, the Act that made Warren Hastings Governor-General of India. The Company had become a government, but an ill-organized, for the moment an impecunious, government. When pressed to pay off its debt to the Bank by the solemn letter to its whole Court of January 1773, it replied that it had "strong reasons to expect the speedy assistance of Government".[3] In the end the assistance was given, but rather by the Bank itself than by the Treasury. For in August, authorized so to do by an Act of Parliament, the Bank is agreeing to accommodate the Treasury with £1,400,000 at 4 per cent "for the relief of the East India Company".[4] From this loan, for which the Bank took an extra block of Exchequer Bills, the Company is to pay its outstanding debt to the Treasury and that £600,000 to the Bank which had been pressed for so insistently.

The £600,000 represented only part of what the Company owed the Bank, but the greater and more urgent part. There was also

[1] *Letter-book*, *No.* 4, 1816–21: letter of 23 Jan. 1817.

[2] *C.T.* 11, 12 Dec. 1816. Report of a conference with Vansittart, who wanted help for landowners.

[3] *C.B. S*, 4 Feb. 1773. [4] *C.B. S*, 5 Aug. 1773. And see Acres, I, 202.

what is called "the old bullion debt contracted in 1756 and 1757",[1] when the Company needed more silver than usual for its Indian struggle; they are the years of the Black Hole of Calcutta and of Plassey. Negotiations about this old debt were carried on in 1774. Finally in January 1775, the Bank agreed to take £201,687. 13*s*. 5*d*. in full discharge of the debt "and all interest thereon".[2] After that relations between the two great corporations reverted to their former lines. The Company normally had a running credit of £300,000, which was renewed for periods of two months. Further requests were sometimes rejected, but this credit was treated as almost a standing arrangement for the next thirteen or fourteen years.[3]

Those years included the War of American Independence, the great failed war of the eighteenth century, and the early years of Pitt's peace-time ministry, during which Britain, who had lost an Empire and with it reputation among the powers, found herself more prosperous than ever before; because that Empire had been not a gold mine but only "a project of a gold mine;"[4] because she did more trade with free America than she had done with colonial America; and because machinery and steam were beginning to transform her own industries.

While she was contending only with the rebellious colonists, from 1774 to 1778, there was no acute pressure on her credit or financial resources; but when France, and then Spain, and then Holland, came in against her, credit was shaken badly. From 1778 to 1780 the 3 per cents seldom stood more than a few points above 60. During 1781, and until peace came in sight late in 1782, they were well below 60, once—when the naval outlook was specially dark[5]—touching 53⅝, a point of depression that

[1] *C.B. T*, 5 Jan. 1775. [2] *C.B. T*, as above.

[3] E.g. on 30 Oct. 1783 (*C.B. W*) the Company is refused £100,000 but "their loan" of £300,000 is as usual renewed for two months.

[4] Adam Smith's phrase.

[5] Before Rodney's victory in the West Indies.

was never passed until the Bank had suspended cash payments and the fleet mutinied at the Nore in 1797. Bank stock followed a parallel course. Although the dividend remained steady from 1768, at 5½; rose by ¼ in 1781; and by another ¼ in 1782; the highest and lowest quotations for 1781 were 116 and 106 against 169 and 159 in 1768, and 144 and 138 in the difficult, but peaceful, year 1773.

During the early years of the war the figures of bullion at the Bank throw little light on the general problem of its banker's reserves of treasure. Recoinage of the gold was in progress, and the entries in those half-yearly balances which were struck from 1774 are swollen, until 1777, by such items as "deficient [i.e. light] English gold coin exchanged" and "bar gold from English coin". By 1779 heavy coinage was over: in 1780 no gold was coined at all: after that varying amounts to meet varying annual needs. The balance statements resume a more normal character.[1]

The renewal of the Bank Charter in 1781, six years before renewal was due, suggests the financial embarrassment of Lord North's cabinet during the last years of the American war. In return for the extension, the Bank advanced £2,000,000 on Exchequer Bills at 3 per cent. The market price of long-dated government securities at that time gave a yield of about 5½ per cent; but had his position been stronger North might certainly have driven a harder bargain. He had got into the habit of pressing the Bank not only to make advances on the security of the taxes—that was normal—but to accept short-term Treasury Bills in considerable quantities. To oblige him, the Directors said they had "gone out of their regular course of business", but probably a little business of that sort had always been done.[2]

[1] See p. 176 above and Appendix C.

[2] The Directors' statement is in *C.T.* 1779–1782, 21 March 1782. Samuel Bosanquet, who became a Director in 1771, told the *Committee of* 1797 (p. 133) that the Bank had been accustomed "time out of mind" to honour Treasury Bills of Exchange even when the Treasury account was empty, up to £50,000

Just before he fell from power, early in 1782, the Governor and the Deputy called on him and begged him "to mention to his Successor in Office the unwillingness" with which the Court had so deviated from traditional practice, and its "wish to put an end to the matter".[1]

They were worried also by a serious drain of treasure. The February balance in 1782 showed only £2,200,000 of gold and silver of all sorts—English coin, foreign coin, bars and ingots. The figure had fallen steadily since 1780, when the August balance had reported £4,200,000. In April of 1782 the Committee of Treasury told North's successor, Rockingham, that adverse exchanges were producing a heavy drain; that large sums had gone to America of which "little or none...comes back"; and that cash sent for pay to the naval yards got "into the hands of smugglers", and so abroad. The situation, they said, was very delicate and they begged the minister to be secret. They also repeated to him their grievance about the Treasury Bills.

Rockingham was sympathetic. His ministry, he explained, had "found every department of government in a much worse situation than they had apprehended". Could not the Governor give him some memorial in writing? But the Governor and Deputy excused themselves, "as nothing of the kind had ever been practised by the Bank".[2]

The summer passed and peace had not come. Although in September "the Government was taking steps to prevent the coin going abroad"[3]—what steps we are not told—the August balance had seen a further fall in treasure, to £2,000,000. The fall continued during the winter, although preliminary articles of

or so in peace and more in war (cp. p. 175 above). Presumably therefore when the Directors of 1782 spoke of "going out of their usual course of business" they were thinking of size not character.

[1] Minute of 21 March 1782, quoted above.

[2] *C.T.* 1779–82, 18 and 19 April 1782, and the *Half-Yearly Accounts*.

[3] *C.T.* 1779–82, 12 Sept. 1782.

peace with the now United States were signed on 30 November 1782; and with France, Spain and Holland on 20 January 1783.

Cash was no longer being drained away to maintain war in America and on all the seas; but the return of peace led to much speculative export trade from Britain, goods being shipped not to order but in hope of finding markets, as the habit then was. Peace also involved England again in the financial troubles of the continent, particularly in those of Holland. The Dutch had suffered grievously in the war with England. Their Baltic trade, their whaling trade, their slave trade, their East India trade, all had been damaged or crippled. The Dutch East India Company had got into grave difficulties. The great Bank of Amsterdam, the conduct of whose business had been without serious blemish until 1781, had become embarrassed by the support that it had felt obliged to give to this Company, to the Municipal Loan Chamber of Amsterdam—which since 1773 had propped up shaken mercantile houses—and to the Treasury of the City.[1] From these embarrassments the Bank of Amsterdam never recovered. When peace came, Dutch investors, in need of ready money, sold out extensively from British funds, Bank of England stock, and East India stock, their sales leading to an external drain of treasure.[2] At the same time the fortunes and market value of English East India stock were affected by the uncertainty of the future. Its critics said that the Company was virtually bankrupt.[3] Certainly it owed large sums to the state. At the close of the year came Fox's failure to settle the relations between Company and state by that East India bill which was rejected in the Lords.

The course of the prices of the 3 per cents and of Bank stock reflect the economic conditions of the year. With the prospect of peace and the signature of preliminaries the threes had risen by

[1] van Dillen, pp. 109, 113; Baasch, pp. 191, 222, 289, 370.

[2] Macpherson, *Annals*, IV, 34. Cp. the decline in the number of Dutch proprietors of Bank stock noted on p. 286 below.

[3] Rose, J. H., *William Pitt*, I, 143.

more than ten points from the lowest of 1782. They kept up fairly until July 1783, and then fell continuously to an average price for 1784 lower than in any year of the recent war. The Bank, having got its charter renewed in 1781, had raised its dividend from 5¾ to 6 in 1782, a rate which it retained for the next five years. Yet its stock, having touched 137 during the good months of 1783, fell subsequently to a minimum price for the year of 113. In 1784 it varied between 120 and 110.

The combination of a high Bank dividend, low prices for Bank stock, and very low prices for the funds tends to confirm the suggestion of a contemporary that one cause of the cheapness of "gilt-edged" securities—his reference is only to the funds, not to Bank stock—besides the heavy selling from Amsterdam, was the transfer of resources from them to finance the business expansion which was undoubtedly setting in at home in these otherwise difficult months of 1783–4.[1] During the later years of Pitt's peace-time ministry this expansion became obvious. The seas were open; bread was reasonably cheap; invention went forward; trade with America was unexpectedly good.

The Bank came through the critical months by a narrow margin. In February 1783, before peace had produced its varied effects, the bullion was already down to £1,321,000 and the note circulation up to £7,675,000. In December, the Committee of Treasury had rejected, as "a measure highly improper for the Bank to be concerned in", a suggestion made by Herries the banker for checking the drain by drawing and re-drawing bills.[2] Early in 1783 it limited the note issue by curtailing discounts, waiting for the flood of speculative exports that had followed the peace to bring in cash returns and steady the exchanges. But by May it felt bound to do so much discounting for its clients that, as a precautionary measure, it also did a most unusual thing—

[1] Macpherson, *Annals*, IV, 34. Sir William Beveridge's graph of industrial output (*Oxford Economic Papers*, 1940) shows a steady rise from its start in 1785.

[2] *C.T.* 1779–82, 5 Dec. 1782. "Supporting the exchange", we now say.

refused to make advances on the scrip of the loan raised that year.[1]

Fortunately no public or private catastrophe of the sort that starts a panic happened during the summer or autumn of 1783. Bankruptcies were not unusually high and there were none of very prominent firms. Yet the drain of treasure continued: the August balance showed only £590,000 in the Bank; and that was not quite the lowest. But by October the Directors judged that the signs were favourable enough to justify them in retracing the unusual step of May. They showed faith, for the reserve had increased very little at the February balance of 1784. In fact they had carried on for a whole year with less bullion than they were to have at the moment when cash payments were suspended fourteen years later;[2] and they had done a full, though intermittent, year's business in discounts and advances. But 1783 was a year of peace with commercial prospects which, though exaggerated by sanguine minds, were real, while 1797 was a year of dangerous war. Whether through good fortune or high intelligence, the Bank's conduct of affairs in 1783 was justified by the event. Recovery was quick. By August 1784 the bullion stood at £1,540,000; by August 1785 at £5,487,000. In the latter part of 1785 the 3 per cents rose to above 70; and in 1786 Bank stock, its dividend unchanged, never stood lower than the 137 which had been its maximum in 1783. The Dutch were still struggling with their commercial and financial difficulties, but the immediate disturbing impact of their struggles on England was over. There had been a real crisis of peace but no panic.

[1] Bosanquet's evidence before the *Committee of* 1797 (p. 131); Tooke (*History of Prices*, I, 193) wrote rather luridly of "the forcible and extraordinary contraction" which the Bank "resorted to". *G.L. XV*, f. 249 sqq. shows exceedingly heavy discounts in May and June. Perhaps the curtailment of discount before May was again selective: that always explains lurid criticism.

[2] *Committee of* 1797, p. 123.

From 1784, when the Bank was still short of bullion and the 3 per cents stood continuously in the middle fifties, down to the summer of 1792, all accepted signs pointed to that growth of national wealth and well-being which it was Pitt's business to foster, although the main causes were beyond his knowledge or control. The 3 per cents moved up intermittently, quivering down from time to time at moments of international tension but always rising higher, into the eighties in 1791, and even into the nineties in 1792. Though the British Isles could now no longer provide all the bread they needed, if harvests were bad, bread in London was actually a trifle cheaper on the average for the eight years 1785–92 inclusive than it had been in the previous eight years. Industry was remarkably active.[1] Overseas trade was buoyant. The Bank's reserve of bullion went up and up, swelled after the outbreak of the Revolution by an influx of refugee treasure from France. Constant dealings are recorded in French crowns and Louis d'or, types of coin seldom mentioned in earlier years.[2] At four out of the five half-yearly balances following the meeting of the States-General at Versailles in 1789 the bullion was above £8,000,000, with a maximum of £8,646,000. This enabled the Bank to increase its circulation to upwards of £11,000,000 by August 1789. That was perfectly safe, for the bullion then amounted to all but half the total liabilities on notes and deposits—a very splendid proportion—so that the Bank was in a position to meet any drain, internal or external.[3]

When the August balance was taken in 1791 it still had £8,056,000 of treasure of all the various sorts. But with the winter of 1791–2 the tide began to turn. By the time of the February

[1] Sir William Beveridge's graph of industrial output shows a marked peak in 1792. For bread see the *Return of Wholesale and Retail Prices* (1903, No. 321), p. 220.

[2] *C.T.* 1791–5, April-May 1792 *passim*.

[3] Bullion £8,646,000, notes £11,122,000, deposits £6,402,000. "Deposits" are from the return of 1832 and include the balances in the Exchequer and Audit Roll as well as the Drawing Accounts. See App. F.

balance in 1792, the treasure stood at £6,468,000, lower than it had been since February 1788; and soon the Committee of Treasury began to take precautions. In May it resolved "at present not to sell any Portugal gold to any person whatsoever".[1] It held to its gold the more tenaciously because gold was what United Kingdom bankers would call for in emergency, and because there was a steady flow of silver abroad that year—the greatest in any year between 1782 and 1797.[2] By August 1792 the aggregate of treasure was down again, to £5,357,000. In October the Committee of Treasury once more showed anxiety about the gold. Not only, it told Mr Pitt, not only had "the usual supply of gold from Portugal...ceased for some time past", but coined and bar gold was actually going out to Lisbon, among other places.[3] A main reason for this unfavourable state of the exchanges was heavy foreign selling of British funds and remittance of the proceeds abroad.

The Committee's anxiety was natural. Several great powers, though not yet England, were at war with France. There had been an extremely wet summer and the wheat in England was badly damaged. The previous harvest having been good, for the whole year 1792 the country exported more wheat than it imported; but it was certain by the autumn that this could not be repeated in 1793. On 9 November export was forbidden by Order in Council, and by 12 December Pitt had informed the Bank that he wished it to honour some £100,000 of Treasury Bills for corn which an agent of his was buying abroad as a precautionary measure.[4] Hanging as Britain was on the edge of self-sufficiency, a season with appreciable imports of corn was certain to incline the exchanges further against her, other things

[1] *C.T.* 1791–5, 30 May 1792.

[2] *Committee* of 1797: Appendix VI, *Foreign coin and bullion exported*, 1783–96.

[3] *C.T.* 1791–5, 16 Oct. 1792.

[4] *C.T.* 1791–5, 12 Dec. 1792. And see the evidence of Claude Scott, who bought for the government, in the *Committee* of 1797, p. 137.

being equal. It introduced an abnormal element into her balance of trade.

The Directors' anticipations were realized when, at the February balance of 1793, the treasure was returned at £4,011,000. By that time the King of France had gone to the scaffold and France was at war with England also. But in spite of war, the commercial crisis which accompanied its outbreak neither was due to, nor produced, any dangerous crisis of the treasure. The Bank was able to buy more gold in the course of the year. In March, the Committee of Treasury instructed the chief cashier to get "the greatest part" of the carefully husbanded "Portugal gold" and bars coined as fast as possible, to meet an insistent home demand;[1] and for the whole year the output of gold coin from the Mint was greater than in any year since 1788.[2] The harvest though not brilliant was adequate.[3] The need to import foodstuffs ceased for the time being; by the end of August the treasure in the Bank stood at £5,322,000; and the notes outstanding at Michaelmas (£11,000,000) were a million lower than they had been at Ladyday.

Such figures suggest smooth water, yet between February and July the country had come through the worst financial and commercial crisis that it had yet known. War, breaking out unexpectedly, not preceded by the signs and preliminaries to which the eighteenth century was accustomed, was responsible for much of the damage; but all the evidence available confirms Thomas Tooke's view, based on careful inquiry and his "own recollection", that the "main causes" were "pre-existing in a great and undue extension of the system of credit and paper circulation"[4]—abuse of the bill of exchange, reckless issue of the private bank note—at home, on the Continent, and in America.

In spite of great industrial activity, there had been no con-

[1] *C.T.* 1791–5, 26 March 1793.

[2] In 1793, £2,747,430; in 1788, £3,664,174.

[3] Tooke, I, 180.

[4] *Ibid.* pp. 176–7.

spicuous movements in general prices—a moderate fall from 1787 to 1789, with some resulting embarrassment to traders and a high figure of bankruptcies in 1788; a rise in 1790; and after that a fairly steady course for two years and a half.[1] But trouble was working up in 1792. No doubt it was due in part to continental war and anxiety about the future of revolutionary France; but that was by no means all. Bankruptcies were abnormally high in the fourth quarter of the year: 1793 opened with a heavy commercial atmosphere. The Committee of Treasury, watching its bullion, told Pitt that it suspected an extensive illegal export of guineas.[2] On the declaration of war by France, at the beginning of February, the atmosphere became sultry, but the credit storm did not break until March. When it did break it was nation-wide —most severe in Bristol, Liverpool and the City. Runs on bankers soon brought down the weaker among them; and their clients followed. There were 105 bankruptcies recorded in the *Gazette* in March, more than there often had been in quiet times in a quarter. There were 188 in April and 209 in May. The quarter that included these months saw 566: whole years had often seen fewer.[3]

By the middle of March the London press was filling with bad news—from Bristol how of fifteen "houses that received a temporary shock" two, but only two, had "been re-instated"; how there was "a scene of great distrust and alarm" at the Royal Exchange on Saturday the 16th; that "two capital houses in Norfolk [had] stopped...and nine expected"; of "a Bank Director and one of the first houses in the Irish, Liverpool and Dutch trades gone"; of a Liverpool bank "said to have stopped payment for upwards of two millions of money"; that "the Bankers in the City have refused to discount any more paper for

[1] Figures and graphs in Silberling, N. J., *British Prices and Business Cycles, 1779–1850*. Supplement to *Rev. of Econ. Statistics* (Harvard, Mass. 1923).

[2] *C.T.* 1791–5, 15 Jan. 1793.

[3] Bankruptcies are in Macpherson's *Annals*, IV, 265–6.

the present. The alarm on the Royal Exchange is beyond conception". This last report is from the March quarter-day.[1]

Fact and rumour were mingled. The Bank was praised for coming to "the late, but we believe, wise decision, of putting down all the country banks".[2] Actually, though it refused to lend to a Chichester bank on mortgages bonds or the like, because this was "out of the usual line of business", and so helped to bring that bank down, and though rather later it refused £30,000 to Jones, Loyd and Co., the Manchester bankers, it did advance £40,000 to bankers in Liverpool.[3] But when the Corporation of Liverpool asked for a loan on its sealed bonds this was rejected: the Committee of Treasury, following its invariable practice, would only consider two-month notes "of respectable gentlemen in London".[4]

Nearer home it was busy saving from collapse the Lord Mayor of London, Sir James Sanderson, M.P., partner in a banking house in Southwark. He was promised £6000 on 21 March, and more on the quarter-day, because of the "mischief" that might result from a Lord Mayor's bankruptcy.[5]

It is not surprising that next day Abraham Newland, the Bank's chief cashier, was instructed to hasten the coinage of the Portugal gold, or that Pitt had been notified a week earlier of an issue of £5 notes that was under consideration. Rumour got hold of this £5 note scheme and expanded it into a Bank plan "for dependent offices in different parts of the Kingdom".[6] That might have

[1] Extracts from the *London Chronicle*, 14–26 March. The Bank Director was, I think, Moses Yeldham, first elected in 1788 and the only Director to lapse in 1793.

[2] *London Chronicle*, 16–19 March.

[3] *C.T.* 1791–5, 4 April (Chichester bank); *C.B. Y*, 18 May 1793 (Jones, Loyd); *C.T.* 1791–5, 21 March (Liverpool bankers). Henry Thornton (*Paper Credit*, p. 181 n.) knew that it had refused to help "some great and opulent country banks" because they could not offer "approved London securities".

[4] *C.T.* 1791–5, 25 March.

[5] *C.T.* 1791–5, 21 and 25 March 1793.

[6] The notification to Pitt, *C.T.* 1791–5, 18 March; the rumour, *London Chronicle*, 2–4 April.

been an excellent thing but, so far as is known, it was never discussed.

London banks, country banks, Irish and Scottish banks, were all pulling at the gold reserves in Threadneedle Street. It is to the credit of the Bank that those reserves were so well maintained. There was not much silver coin anywhere in the country. There were now no small notes south of the Border. Guineas, half-guineas, with any small change that might be available, were badly needed for most wage payments and retail dealings. The Bank might not have handled its reserves so successfully but for government action taken in May and the issue of its own £5 notes, which began in April. The main source of trouble was the wretched weakness of many of the country banks. The Bank could hardly have been blamed if it really had tried to put at any rate the feebler of them down, as some pressmen believed. They failed in batches week by week. "No less than eight more... stopped payment on Saturday to Monday last", the *London Chronicle* reported at the end of the first week in April. Before all was over something like a hundred had gone—twelve in Yorkshire, seven in Northumberland, seven in Lincolnshire, six in Sussex, five in Lancashire, four in each of several other counties; and so down the line.[1]

The collapse was not in prices or, in the first instance, in production, but in confidence and the circulation. As country banks stopped payment the circulating medium ran short. Other banks, in country and town, clung to their cash and would not discount. Industry, that had been so active but had relied on the resources procured by discounting bills to carry on, even to pay current wages, was brought up with a jerk. Between 18 April and 23 April things came to a head in the manufacturing towns. Manchester men hurried up to London for help. "A very capital

[1] *London Chronicle*, 6–9 April; Macpherson, *Annals*, IV, 266–7, gives the county figures.

house" in Manchester had gone. More were expected to go. Firms really solvent were unable to meet their daily obligations, and it was said that "upwards of 7000 manufacturers" [that is work-people] were "destitute of employment".[1] From Scotland came news that the two old chartered banks—the Bank of Scotland and the Royal—could not give accommodation much longer.[2] There had been many failures as in England, but only two of Scottish banks, which as a class were less flimsy than the English.[3] As for the young Bank of Ireland, it had "for some months" before the end of March "refused to discount all paper whatever".[4]

On 22 April, when the magnitude of the collapse was apparent, leaders of the City met Pitt in Downing Street. Next day a Committee of eleven assembled at the Mansion House to consider plans for state assistance. They were those who at the first meeting "had expressed the greatest Difficulties in finding out a Remedy".[5] The Lord Mayor whom the Bank had saved presided. Of the other ten four were Bank Directors—Sam. Bosanquet, Sam. Thornton, Benj. Winthrop and Thos. Boddington. Another, John Harman, though not a Director was a Directors' friend, and next year became a Director's father.[6] The only very well-known name among the remaining five was that of Francis, founder of the house of Baring. Whose the plan was that the Committee recommended and Pitt adopted we do not certainly know. It sounds like a Bank plan. Exchequer Bills, it suggested, should be issued "as a loan to the mercantile interest", to put it in funds. The maximum amount originally proposed was three millions, but the figure inserted in the bill that received the royal assent on

[1] *London Chronicle*, 18–20 and 23–25 April.

[2] *Annual Register*, 1793, p. 137.

[3] Kerr, p. 140.

[4] *London Chronicle*, 28–30 March.

[5] "Report of the Select Committee on the State of Commercial Credit", in *J.H.C.* XLVIII, 703.

[6] John's son, Jeremiah, joined the Court in 1794, was Governor 1816–18, and sat on the Court till 1827.

9 May was five. A Select Committee of the House had reported in this sense through the Lord Mayor, on 29 April. Pitt had spoken lucidly on the report and had rejected the idea, suggested in debate, that the administration of the fund should be entrusted to the Bank Directors. Long advances were not their business, he pointed out. Two months was their normal term. He preferred a special group of commissioners.[1] This he got, and the commissioners began work on the day that the bill became an Act.

Pitt had been supported in the House by Samuel Thornton and others. Before the Committee of the Commons Gilbert Innes, a director of the Royal Bank of Scotland, had stressed the importance of the undiscountable long-term bills, and Macdowall, a Glasgow M.P., had said that "notes were pouring in upon them for gold".[2] Several Bank Directors served on the executive commission, with Innes, Baring, a Barclay of the banking house, and that untirable statistical and financial writer, reformer of agriculture, and M.P., Sir John Sinclair of Caithness, who in his *History of the Public Revenue*, published a few years earlier, had suggested, as a general policy, that a revival of £5 and £10 Exchequer Bills "might be attended with useful consequences".[3] He had naturally supported, and may have been responsible for, the scheme which he now helped to apply.[4]

[1] Report of the debate in the House on April 29: *London Chronicle*, 30 April–2 May.

[2] *J.H.C.* XLVIII, 704.

[3] Second edition, 1790, II, 59: the first edition was 1784.

[4] It is usual to give him the whole credit (e.g. the *D.N.B.*, the *Dict. of Pol. Econ.*). The source is his son's *Memoirs of Sir John Sinclair* (1837), I, 232. These Memoirs state that Sinclair laid "his plan" before Pitt on 16 April. We are left to infer that this was the plan finally adopted. The Memoirs make no mention of the City Committees and have not used the *J.H.C.*, but speak of the evidence before the Select Committee preparing "their minds for my father's proposition". The proposition, though with £3,000,000 instead of £5,000,000, was before them from the start; £5,000,000 seems to have been Sinclair's amendment. It is possible that he put the notion of Exchequer

The commercial Exchequer Bills, as they came to be called, gave sound firms something that they could discount at once. With the Bank's £5 notes they filled the gap in the circulation. Anxiety about cash balances was relieved; the pressure for guineas was eased. The Bills, so the laborious Macpherson said, "acted like a charm"[1] and proved how essentially the actual crisis had been one of circulation. They were applied for to a total of £3,856,000 but only £2,202,000 were issued, more than £1,200,000 of the applications being withdrawn. All those issued were repaid. Recovery was helped by an increase in the Bank's total note issue which—presumably because of the new £5 denomination—stood higher than ever before (£12,200,000) by Midsummer. At the end of March the Committee in Waiting had discounted liberally—an average of £390,000 a day for twelve consecutive working days—and again in April. In May discounting slackened. After that it became first normal then sluggish.[2] What the country bank circulation had been before the crash we do not know, but we can be sure that it was far below that of the Bank. We do know that for some years it did not recover, the issues of newly risen banks not fully replacing those of banks that had fallen. In 1797, the secretary of the Association of Country Bankers, who claimed to know them "almost all", estimated that their aggregate issue had fallen by a third since just before the crisis of 1793. A banker from Hull said that in his district the contraction had been even greater; but Henry Thornton believed that as a whole it had been considerably less.[3]

With favourable exchanges and the return of confidence at home, the Bank was able to build up its reserve of treasure to an average of about seven millions in 1794, and to keep it above six

Bills into Pitt's mind and that Pitt placed it before the City men; but for even the first possibility we have only Sinclair's son's statement about a plan not described.

[1] *Annals*, IV, 269. [2] *G.L. XVI*, ff. 259 sqq.

[3] *Committee* of 1797, p. 158 (the Secretary); p. 150 (the Hull banker); p. 161 (Henry Thornton).

millions in the early part of 1795. But from May, for more than a year, the Hamburg exchange—the critical northern barometer now that Amsterdam was occupied by the French[1]—was adverse; and in the autumn Lisbon, the southern barometer, turned adverse also; gold which should have come in from Portugal now tended to go there. All through 1796 the treasure was low—£2,540,000 in February; £2,123,000 in August; then less—and at the February statement of 1797, just after cash payments had been suspended by Order in Council, it was at the real danger level of £1,086,000, although the foreign exchanges had ceased to be unfavourable in the previous October.[2]

Why the treasure had fallen so low was much debated at the time and has been debated ever since. The Governor and his colleagues again and again complained of the Navy and other bills which they had to meet to much greater amounts than seemed to them reasonable, and of the various temporary advances which Pitt required in war-time. They called his attention to the heavy expenditure overseas on armies and fleets and on subsidies to our allies. They were specially worried by the loans floated in London for the Emperor and guaranteed by the British government. The money raised was sent, as were the subsidies, partly in bills partly in foreign bullion—silver very often, not gold; but then the Bank included silver in its returns of treasure. There was abnormal corn importing, both on government and private account, especially in 1795–6 in consequence of the late and bad harvest of the year 1795. Witnesses for the Bank after the suspension had also much to say about the drain of guineas to Ireland; and no doubt, though these guineas usually came back in the way of trade, their

[1] The French occupied Amsterdam without meeting any resistance on 18 Jan. 1795. For the Hamburg exchange, see Hawtrey, *Currency and Credit*, pp. 256–7. Hamburg was a silver exchange, but the effective rates for gold can be worked out, as they are by Hawtrey, by way of the London-Hamburg and the Hamburg-Paris exchanges.

[2] Hawtrey, p. 258.

temporary absence might be a real inconvenience when it coincided with other drains.

Much of the correspondence, written and verbal, between Pitt and the Bank was subsequently printed. It concerned mainly that pressure for advances which the Bank so stubbornly resisted.[1] Sometimes the Committee of Treasury sent the minister solemn memoranda, sometimes the Governor, Daniel Giles, lectured him. It was during one of these instructive discussions that Giles asked him if he had any idea what the nation's stock of gold might be? Pitt's reply is pencilled in the minutes of the Committee of Treasury "not to be taken", so deserves quotation here—"he really took shame to himself for having never formed any idea on that subject so as to lead him to judge of it with any accuracy".[2] But he held his ground and generally got his advances. The aggregate advances were not in fact greatly in excess of those often made in time of peace, in 1791–2 for instance, so that the importance of their mere size was, and has been, exaggerated. In so far, however, as they were connected with abnormal expenditure overseas they were a true possible cause of the external drain.[3]

What no contemporary in England appreciated, so far as the records go, was the connection of the unfavourable exchanges and the drain with the return to a metallic currency in France, after the disastrous inflation of the revolutionary assignats.[4] In the early years of the Revolution and at the height of the inflation treasure was being smuggled out of France. The exchanges were

[1] The correspondence and memoranda of interviews with Pitt are in *C.T.* 1791–5 and *C.T.* 1795–7. Most of them are reproduced in Appendix IX of the *Committee* of 1797. They are also largely drawn upon in Acres, I, 260–71.

[2] *C.T.* 1795–7, 10 Oct. 1795.

[3] All this was fully appreciated by Henry Thornton (*Paper Credit*, pp. 131–2), when arguing against the popular contrary opinion.

[4] This connection was, I believe, first made clear by Mr R. G. Hawtrey in articles which are the basis of chs. XV ("The Assignats") and XVI ("The Bank Restriction of 1797") of his *Currency and Credit*.

favourable to England and gold flowed into, and out of, the Mint in quantity. In 1795 and 1796 the output of the Mint sank to barely a fifth of what it had averaged for the previous five years. It was precisely when the exchanges turned against England, in the spring of 1795, that France was beginning to re-establish her currency. By the autumn of 1796, when the exchanges were once more veering in England's favour, France had got back the necessary minimum of treasure. During this period the relations between the Paris-Hamburg and the Hamburg-London exchanges show "how enormous was the profit to be made by importing guineas from London to Paris",[1] *via* Hamburg or even smuggled direct. Direct transit was of course illegal, but it happened. In one way or other the gold went. You might not export bars melted from guineas, but if you declared that they were melted from something else who was to tell? You "swore it off" as foreign stuff, the export of which was legal.[2] In October 1795, so keen was the demand from Paris that gold fetched £4. 3*s.* 0*d.* an ounce in London and you could get it as guineas for £3. 17*s.* 10½*d.*[3] In spite of the risks and costs of transit and insurance, the temptation to melt or smuggle was overwhelming. Early in February 1796, our resident at Hamburg reported the arrival of a large parcel of guineas in the Yarmouth packet to be melted down—very likely to be sent on to France.[4] A month earlier, and again a month later, the Bank was trying to improve the Hamburg exchange by shipping its bar silver and "old dollars" there. In March it was buying gold in Lisbon, but it did this at a price which made the coining of it unprofitable. The bars were sold again in June at bullion prices.[5] Gradually,

[1] Hawtrey, p. 262.

[2] When in Jan. 1796 the Bank was sending old dollars and bar silver to Hamburg to raise the exchange there was however some trouble about the "swearing off" even of silver bars: *C.T.* 1795–7, 1 Jan. 1796. But then the Bank had to be scrupulously law-abiding.

[3] *C.T.* 1795–7, 10 Oct. 1795. [4] Hawtrey, p. 263.

[5] *C.T.* 1795–7, 1 March and 2 June 1796.

in the course of the year, aided perhaps by these manœuvres but more by the satisfaction of the insistent French demand, the Hamburg exchange improved. By the autumn it was favourable. The Lisbon exchange also got back to par in October.[1]

All through the year the Bank had been limiting its discounts with a view to reducing its note issue and lessening the risks of an internal drain. The policy would also tend, by its restrictive influence on the home price level, to help the restoration of the exchanges; but it is not certain that this was an object deliberately aimed at.[2]

The discount restriction policy had been approved by a vote of Court on the last day of 1795. Whenever there was occasion, the Court was to decide "to what amount the discounts should be allowed to go during the ensuing week".[3] The Committee in Waiting was to have a daily return of notes and bills discounted. If offers were made in excess of the weekly quota, discounting was to be done *pro rata*, "without regard to the respectability of the party...or the solidity of the Bills". Leaders of the Bank denied in 1797 that this was strictly an innovation; it was, they said, "only a new mode adopted" for doing what had always been aimed at—and as they implied always done—that is keeping the discounts at such a level "as might from time to time be agreed upon".[4] The rather generous limit fixed by the vote for the first week of 1796 tells in favour of this contention. And in fact the discounts in 1796 were above the level of 1795, though they were well below what London asked for.[5] When, towards the end of February, a group of proprietors of Bank stock protested against this discount rationing of respectable parties they were told

[1] Hawtrey, pp. 263–4.

[2] There are returns of the quarterly averages of commercial paper under discount at the Bank in Silberling, *British Prices*, p. 256.

[3] *C.T.* 1795–7, 31 Dec. 1795.

[4] Evidence of the Governor and the Deputy (Giles and Bosanquet) in 1797: *Committee* of 1797, p. 158.

[5] This was recognized by Macpherson, *Annals*, IV, 265.

haughtily that "it was quite unusual in the Bank to give particular reasons for any measures which they, after mature deliberation, may think fit to adopt" [1]

The measures in this case were certainly accompanied by a reduction of the note issue. The average amount outstanding quarterly in 1795 had been £11,500,000: in 1796 it was £10,200,000. The Christmas quarter figure in 1796 was only £9,600,000 against £11,600,000 in 1795.[2] The effect on prices is harder to judge: so many forces were at work and the statistical evidence is not perfect. But that evidence does point at least towards a checking, in the course of the year 1796, of the rise which had been in progress since the end of the troubles in 1793.[3]

However far into these difficult problems the Committee of Treasury did or did not look, it wisely limited its note liability while its reserve of treasure was falling. With the restoration of the exchanges, in the autumn of 1796, it naturally hoped that the period which seemed to call for this restrictive caution was drawing to a close. But the home demand for guineas persisted; and the stock of them in the Bank was so low by the end of the year that any slight increase in demand might mean real danger.

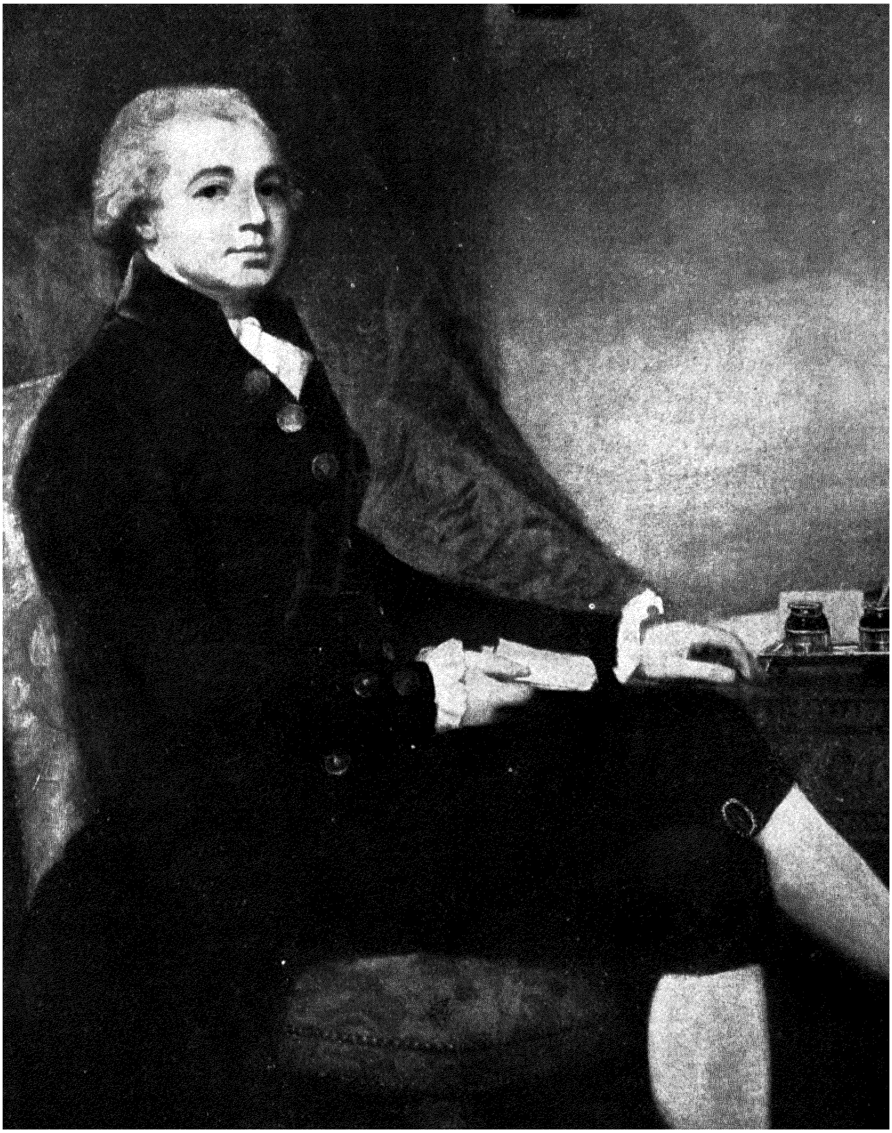
And then there was Ireland. A drain to Ireland partook of the nature of a foreign drain and was always so treated by the Committee of Treasury. Now at the beginning of 1797 Pitt was talking of an Irish loan. It would all go in money and "would cause the Ruin of the Bank", the Committee argued. "Do not tell the Court about it yet", said Pitt.[4] Next day (9 February) he said he must have it. Could not they reduce their notes by cutting down advances to government rather "than by lessening their Commercial Discounts"? An Irish loan, they replied, might

[1] *C.T.* 1795–7, 23 Feb. 1796.

[2] Figures reproduced in Silberling, p. 255.

[3] Silberling, p. 232; his price index is wider based and more satisfactory than that of Jevons used by Hawtrey, p. 264.

[4] *C.T.* 1795–7, 8 Feb. 1797. Acres, I, 275–6, deals with the Irish problem.



THOMAS RAIKES *Governor* 1797–1799

force them to do both.[1] If it came, the minister ought to raise an English loan to pay off the arrears of capital advanced by the Bank and of interest on advances. The total under these two heads they estimated at nearly £7,600,000.

The extra internal drain that would be so dangerous came with an invasion scare in the new year. Pitt was sanguine about large-scale invasions, but would not "answer that no partial attack would be made".[2] The public remained nervous. On 21 February the Committee of Treasury reported that the cash reserve had fallen by £622,000 since 1 January. There was now between £1,100,000 and £1,200,000 of British currency, plus about £100,000 of bullion and foreign coin; and there were "constant calls of the Bankers from all parts of the town for cash". Could he not hasten his loan? They must continue their advances. Perhaps he might "strike out some means of alleviating the public alarms". That afternoon, at his advice, they got Messrs Goldsmid and Eliason to write to Hamburg—where the exchange was now favourable—for £50,000 of gold. Pitt promised a ship of war to fetch it.[3]

On the 23rd Harley and Cameron, a banking firm, came and begged for help. On the 24th the loss of £90,000 of treasure on the 23rd, and of £130,000 already on the 24th, was reported. Pitt was asked how much longer he thought the Bank might go on paying cash, "and when he would think it necessary to interfere". He said he was getting ready for an emergency and an Order in Council, and might hold a Secret Committee of the House. This, said the Bank, they would welcome. They also suggested a public meeting, preceded by a private one, of bankers and merchants to support the national credit. Pitt thought that a good plan.[4]

Then, on 25 February, news came of the "partial attack" which

[1] *C.T.* 1795–7, 9 Feb. 1797. [2] *C.T.* 1795–7, 21 Feb. 1797.
[3] All from *C.T.* 1795–7, 21 Feb. 1797.
[4] *C.T.* 1795–7, 23 and 24 Feb. 1797.

Pitt had foreseen: a handful of men had been landed from a French frigate at Fishguard. At the Bank there was so much excitement or confusion that no minutes were entered by the Deputy-Governor in the book of the Committee of Treasury for over a month.[1] The entries leap from the proposed City meeting to a question of clerks' pay. The King came from Windsor to London on Sunday the 26th, and with eight members of the Privy Council approved an Order that the Bank should "forbear issuing any Cash in Payment until the Sense of Parliament can be taken on that Subject". In publishing this Order on Monday, the 27th—the day that the bankers' and merchants' meeting was held at the Mansion House, and did its duty—the Bank prefixed to it the substance of a vote of Court taken that morning—"that the general concerns of the Bank are in the most affluent and prosperous situation, and such as to preclude every doubt as to the Security of its Notes", notes in which discounts and dividends would be paid as usual.[2]

So began the era of suspension which was to last so very much longer than the Bank or the minister can have imagined. Almost at once the metallic reserve began to improve. By the time of the August half-yearly balance it had risen from the £1,086,000 of 28 February to no less than £4,090,000. In October the Court declared that it was "able to issue Specie in any manner that may be deemed necessary for the accommodation of the Public and... can with safety resume its accustomed functions, if the political circumstances of the country do not render it inexpedient".[3] But these circumstances were held to render it inexpedient for more than twenty years, years in which banking, finance and the whole economic life of the country underwent decisive change.

[1] If he kept private notes, they are lost. The next entry after that of 24 Feb. is of 28 March.

[2] *C.B. Z*, 27 Feb. 1797.

[3] *C.B. Z*, 26 Oct. 1797.

CHAPTER VIII

THE PROPRIETORS OF BANK STOCK, 1694–1797

EARLY descriptions of the Bank call it a "Society consisting of about 1300 persons".[1] To be exact, including the King and Queen, whose names were put down jointly by the Lords Commissioners of the Treasury for £10,000, and also John Baker, haberdasher, "entered by mistake" for £100, the number of those who in June–July 1694 subscribed the original capital, "to the Amazement of ourselves, as well as the Astonishment of our Enemies, in less time than could have been imagined",[2] was 1272. A few Lords and great men put their names down out of patriotism or political expediency, but their total contribution was negligible and most of them sold out early. Godolphin's £6000 stock was in other hands by June 1695; Montagu's £2000 by January 1696.[3] Marlborough was not an original subscriber; but he bought £4000 stock on 28 November 1694, when the price was 10 per cent above par, and sold it all at various dates in 1695, a year in which it never stood lower than 14 per cent above par and showed a maximum premium of 40 per cent in December. He held long enough to get the first half-yearly dividend of 6 per cent, and sold on a rising market which the second distribution (of 4 per cent) did not justify—the

[1] Godfrey, M., *A Short Account of the Bank of England*, p. 1.

[2] *Angliae Tutamen*, p. 5. The *Book of the Subscriptions* contains 1520 entries; but some people subscribed in instalments.

[3] *Bank Stock Ledger*, 1. This Ledger (1694–6) has the 1272 accounts.

judicious man.[1] The Earl of Portland also took the 6 per cent on his big holding of £10,000 but began to sell in the December boom. His sales were not completed until July 1697, a year which showed some very shocking discount prices; but he did most of his selling at a premium, often a very good one.

A few other noblemen with considerable holdings—the Duke of Leeds, the Duke of Devonshire, the Earl of Pembroke, the Earl of Bradford and Lord Edward Russell[2]—were rather more tenacious or less well advised, and a few more bought and sold again like Marlborough; but by 1701 only two of them, Russell, an original subscriber, and the Marquess of Normanby, a later purchaser, held the £4000 or more of stock necessary to qualify for election as Governor. That the list of men so qualified contained 107 names indicates the insignificant position of these noble capitalists. It is however pleasant to notice that, if the Bank of 1701 had cared to put a knighted Admiral into the Governor's chair, it might have chosen "Sir Clowsly Shovel". Perhaps he had invested prize-money in Bank stock.[3]

The Royal holding has an interesting, if rather elusive, story. No dividends were ever paid to the King or to the Queen, though the 6 per cent dividend of March 1695 appears to have been due to them.[4] On 1 May, by a Privy Seal Warrant which stated that "£6000 or thereabouts of their proper moneys" had already been paid, their holding was transferred to William Lowndes, the

[1] In defending Marlborough with success against the charge of betraying the secret of the expedition against Brest to the French, Mr Winston Churchill notes (*Marlborough*, I, 429) that he had "engaged his dearly loved 'lucre' in support of the new regime" by buying Bank stock. The alleged betrayal was in May, when Marlborough could not have "engaged" the £10,000 in Bank stock with which the source that Mr Churchill quotes credits him. Even later, as we see, he did not engage his "lucre" very deeply.

[2] The Admiral; from 1697 Earl of Orford.

[3] From 1701 use is made of the printed lists of proprietors qualified to vote, or qualified to hold the various offices, issued for the annual elections. The series at the Bank has some gaps in the early years.

[4] The list of all recipients of the first dividend is in *G.L. I.*

great Secretary of the Treasury.[1] He was to find future calls, stock at the time being only 60 per cent paid up. The transfer duly appears on the credit side of Lowndes' stock account—"By his most exct. Majesty King William...£10,000".[2] Lowndes already held £1000 stock: he was an original subscriber. He proceeded to unload the bulk of his greatly increased holding. One block went to Schomberg who, like his father, was high in William's favour, another to a gentleman named Charles Chaplin. Schomberg's name suggests that the Secretary may have been acting as a distributor of the royal bounties. Or he may simply have sold. All we know is that before May was out there stood in Lowndes' name—"To himself for the balance, £3,000". That balance of stock he handled like other prudent and well-informed investors: he sold it at the right time.[3]

An institution whose original capital was subscribed in London in twelve days, at a time when communications with the country were slow and uncertain, was inevitably at the start a Londoners' affair. Of the first five hundred subscribers about four hundred and fifty were domiciled in London, and most of them were true Londoners.[4] About two hundred and fifty were London business men of various grades: a hundred and five who call themselves merchants; sixteen Knights, merchants also for the most part, those "City Knights" whom Pope—a linendraper's son—once linked sneeringly with the rather ill-famed money-lending scriveners;[5] about a hundred and thirty members of City Companies, or at least of trades after which companies were named, among them thirteen drapers, eleven grocers, nine apothecaries,

[1] *Cal. Treas. Books*, x, 1017.

[2] *Bank Stock Ledger, No. I*, under Lowndes.

[3] His name is not in the *Proprietors' List* for 1701.

[4] The *Book of the Subscriptions* has names, addresses and signatures.

[5] When Charles Duncombe bought the Duke of Buckingham's estate—

"And Helmsley, once proud Buckingham's delight,
Slid to a Scrivener and a City Knight"

—quoted in Martin, J. B., *The Grasshopper in Lombard Street* (1892), p. 34.

eight haberdashers, six mercers, six stationers, and so on down to a single upholder (upholsterer) and a single mariner. But only six goldsmiths took part in this first rush to subscribe. Besides these two hundred and fifty London tradesmen, there are about a hundred and fifty London subscribers entered as Esquires or Gentlemen. The terms were used with some precision in 1694: the Esquires are presumably owners of manors, entitled to bear arms; the Gentlemen, sons or relatives of squires and noblemen, or people who claim the title, or are given it, because they live idly "as gentlemen". The groups contain Members of Parliament, higher government servants, squires from the Middlesex, Kent, Surrey and Essex suburbs, members of the Inns of Court, gentlemen about town and perhaps some dubious characters.

The remaining early London subscribers are a mixed collection —thirty-four wives, widows and spinsters, very often subscribed for by a male relation; a Doctor of Divinity; a Doctor of Laws; thirteen Doctors of Medicine; and two Clerks in Holy Orders.

Most of the early subscribers who have not London addresses are of much the same type as the London Esquires and Gentlemen, but their main domicile is more remote—a Warwickshire Knight; Esquires and Gentlemen from so far afield as Dorset, Somerset and Nottingham; a Major; a man in Madras subscribed for by someone else; and two or three men from Amsterdam or Rotterdam. The group contains many people who were Londoners in effect, among them William Lowndes, who though regular in attendance at the Treasury is described as of Winslow, Bucks.

The seven to eight hundred subscriptions of the later days can be analysed into similar groups of much the same relative sizes. Only, as might be expected, there are more remote investors and a little more "blind capital"—proportionately rather more women, rather more Clerks in Holy Orders. There are two gentlemen from Eton College; several more Dutchmen and subscribers on behalf of men at the Hague; and a subscription in the name of Henry Liddell, Esq., of Newton in Durham, the

most remote original English proprietor of Bank stock. (But, there was one with a Dublin address.) Fresh London trades appear. Several times two of a trade subscribe in succession: they have talked it over and decided to go in. At the very end comes the solitary London bricklayer among the original proprietors, no doubt one of those master-bricklayers whom the rebuilding of London in brick since the Great Fire had given a chance to become builders and acquire capital.[1]

In 1697, when the tallies were engrafted on the stock, the list of the four hundred and ninety-four people who subscribed "for enlarging the capital stock of the Bank of England and for raising of Public Credit"[2] resembled closely the list of 1694. Only now there is a group of eight or ten Goldsmiths ready to exchange tallies and Bank bills or notes for Bank stock—paying in their four pounds in tallies to every one in bills or notes. The most interesting new figures are a mercer from Derby who subscribed nearly £6000 and a maltster from East Retford who put up £3500. Perhaps these men were provincial receivers of taxes, a class which, for obvious reasons, had early regular dealings with the Bank. There were heavy subscriptions by two London ironmongers, who were no doubt already iron merchants, and by a Southwark brewer, members of trades which had shown no interest in the Bank three years before—and whose probable interest now was only in the disposal of much depreciated tallies at their nominal value. Among the curiosities of the subscription list there appear a "coffeeman", a tobacconist, an "Indian gown se ler", and a man who calls himself a builder, an early use of that word as the description of a regular trade.

Under the law which sanctioned its creation, the stock of the Bank might be held by "Natives or Foreigners, Bodies Politicke or Corporate"; but the conditions of the first subscription left

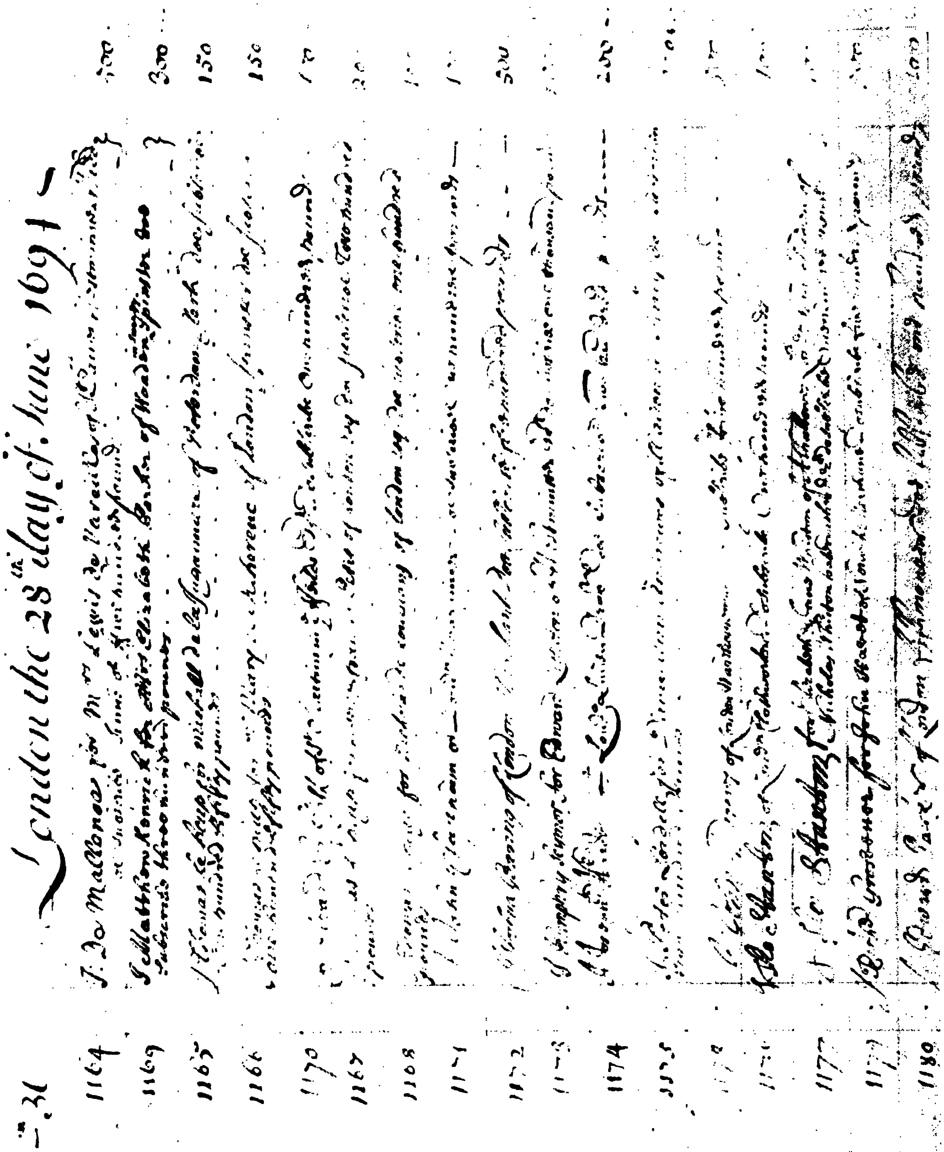
[1] See Reddaway, T. F., *The Rebuilding of London after the Great Fire* (1940), ch. v.

[2] *Subscriptions of* 1697, similar to the first *Book of the Subscriptions*.

corporations very little time to decide whether to go in or not. In fact none did. Of foreigners it is harder to be sure; because so many people at that time, from the Bentincks downwards, were hanging on the border line between English and Dutch. Foreign names there are in plenty, Huguenot families like the Houblons and Lethieulliers, and the naturalized French-Fleming Sir Theodore Janssen, who took his £10,000 stock with the King and the Earl of Portland. But most of these foreign names are of men either by law or in effect English. No doubt a few of the original Dutch or Flemish holders were and remained genuinely foreign. Yet as the total number of unmistakable Dutch names—Vandorp, Barnevelt, Biscop, Hobbema, Van Heyt Huysen, Van Danckelman, Mulijs, and so on—is less than a score, and as some of these probably belonged to the anglicizing group, with the Bentincks and the Vansittarts, we may think of the original proprietors as both primarily metropolitan and overwhelmingly English, from great holders of stock like Sir William Scawen and Michael Godfrey, to John Locke who first took £500 worth and then bought £200 more; Lidya Odams—whose name is that of an early servant of the Bank—who took £50 and sold it; or one John Clapham of London, wharfinger, who took £100 and held it.

One important early holder, who began with £2000 but bought so much more that he drew £750 from the first half-year's dividend, was probably Dutch, perhaps a North Dutchman. He was Caspar Frederick Henning and he contracted, under the Earl of Portland, for the care of the royal gardens.[1] But the other largest holders—men who drew £300 and upwards at that distribution—are right English; Robert Marshall, Hugh Boscawen, Godolphin who took his dividend of £360 just before he sold out, Bartholomew Burton, William Brownlow and Thomas Howard, senior, who drew no less than £780. This largest holder of all was, almost certainly, Thomas Howard of Ashtead, a man of good family, son of an Auditor of the Exchequer, and himself

[1] For his gardening activities see *Cal. Treas. Books*, x, 38 etc.



A PAGE from the BOOK of the SUBSCRIPTIONS

an Exchequer Teller.[1] Like William Lowndes he was placed near to the financial heart of things.

Transfers of stock such as built up Henning's holding began very early. The first are reported from 25 August, and the first men to acquire stock by transfer were a certain Abel Wilkinson and the King's great Jewish army contractor, Salomon de Medina. (There had been only one obvious Jew among the original 1272—a Levy.)[2] By 15 October there were sixty proprietors whose names had not been on the first list; and after that, with the development of a regular market in Bank stock, holders and the sizes of holdings were always shifting.

By 1701 the number of proprietors had grown to 1903. Considerably more than half of them (1037) were not entitled to vote at meetings of the General Court because they held less than £500 stock. There were 235 whose holding of £2000 or more qualified them for directorships, and of these 107, as has been seen, held the £4000 and upwards which was the qualification for the Governorship. This highest group contained many original proprietors' names—Boscawen, Furnese, Godfrey (but the widow, Michael had died before Namur), whole families of Houblons and Lethieulliers or their family trusts, Heathcote, Scawen, with Lord Edward Russell and others. The most important new section of the group is that which Salomon de Medina had opened in August 1694—the Spanish or Portuguese names of Jews of the Sephardim, most of whom had come into England or English business by way of Amsterdam. There are two Da Costas, a Fonseca, a Henriquez, a Mendez, a Nunes, a Rodriguez, a Salvador, a Teixeira de Mattos and Medina himself; so with

[1] I owe this probable identification to Dr J. H. Plumb, Fellow of King's College, who has made a special study of the public personalities of the Revolution era.

[2] For Medina see Sombart, W., *Die Juden und das Wirtschaftsleben* (1911). p. 51. When the Bank of Amsterdam was founded there were twenty-five Jews among the 731 proprietors: Bloom, H. J., *The economic activities of the Jews of Amsterdam in the Seventeenth and Eighteenth centuries* (1937), p. 174.

Jacob and Theodore Jacobson, not obviously though possibly Sephardic,[1] a full ninth of this first group was now Jewish. There are other evident Jewish names farther down the list, but not more than about twenty: the community was best represented in the chief seats. Of Dutch or what appears to be Dutch Huguenot names there are again round about thirty; but they are not so well placed as the Jewish, and many of them belong to anglicizing families such as the Vansittarts or the Vandeputs. As most of the Jews also were making England their home, the strictly foreign proprietors and foreign capital were still rather insignificant; and as yet only one corporate body held Bank stock. This was the Clockmakers' Company of London. They had lent £500 on tallies in 1693. They had to renew the loan and the tallies were at a discount. Then came the offer of 1697—the Bank would give stock for subscriptions, four-fifths in tallies and one-fifth in notes. A transfer into Bank stock, the Clockmakers thought, would be "a readier or more likely means to come into the money sooner". With some trouble they raised the necessary £125 in notes and became proprietors of £625 stock. They added to it and they hold it still.[2]

By 1721 the proprietary has changed conspicuously. The Bank is growing up. It is secure with the government. Like the new dynasty it has survived 1715, and it has just come safely through the rough water of 1720. Several corporate bodies now hold its stock; besides the Clockmakers the Amicable Insurance Society, and that curious body The Governor and Company for making Hollow Sword Blades in the North of England, which made blades for twelve years and for sixteen was first a land company and then a kind of a banking company. For a short time after

[1] Dr D. M. Bueno de Mesquita, of Corpus Christi College, Cambridge, tells me that a Jacobson might be Sephardic.

[2] *Journal of the Clockmakers' Company*, ff. 150, 186, 200, kindly shown to me and deposited at the Bank for my use by Mr W. S. Pennefather, the Clerk of the Company. They raised the money by increasing the number of "Assistants" on their Court and demanding entry fees from them.

1712–13 it had a large holding of Bank stock. With these three City corporate bodies there appear Cambridge Colleges. Two became long-term proprietors from 1713–15—the Master and Fellows of Clare and the President and Fellows of Queens'. One, the Provost and Scholars of King's, puts money into Bank stock for a few years (1715–1720), and then switches into South Sea stock with unhappy results.[1] A charitable institution, the Grey Coat Hospital of Westminster, takes its place beside the long-term Colleges, and with it a municipal corporation, the Mayor, Aldermen and Council of Great Yarmouth, a corporation which was to be a very faithful proprietor.

The composition of the private proprietary has changed a great deal by 1721. The peerage is better represented than it was in 1701—but now to a considerable degree by Dowagers and Duchesses, Countesses or Ladies. The same change appears farther down the social scale. Bank stock is being used freely in marriage settlements and to support widows and spinsters of noble, gentle or City families. Of six representatives of the dwindling Houblon clan (in 1701 there had been twenty) half are women. The Marlboroughs have become proprietors again in their old age; and from the Duke's death, in 1722, both the executors' holding and their drawing account are conspicuous in the appropriate records of the Bank. Safety and respectability are guaranteed not only by all this social insurance use of Bank stock, and by the appearance of Cambridge Colleges and Greycoats on the list, but also by its containing the names of not less than four Bishops.

It is still, in the main, a list of individual Englishmen and of Londoners. The group of substantial proprietors—holders of £500 stock and upwards—contains upwards of seventy obviously

[1] See p. 87, n. 4 above. Clare College put money from the Blythe Trust Fund into Bank stock in 1713. The Queens' investment was a gift made by Ferdinando Smythies, Vice-President, probably in 1715. Information from Dr J. A. Venn, the President of Queens' and Mr W. J. Harrison, Bursar of Clare.

Dutch names; but of these a fair number are Dutchmen domiciled in London, or members of trading firms which were represented on both sides of the water. The Anglo-Jewish proprietors in the same group have grown to about sixty, but they have not changed their character: their names are almost without exception Spanish or Portuguese, and their holdings tend to be large. Among those with stock enough to qualify for the Governorship appear the brothers Moses and Jacob Abrabanel, men descended from one of the most ancient of Jewish families, known in Spain and Turkey and Prussia and Holland, whose greatest member, Isaac, statesman and scholar, had farmed the revenues of Isabella of Castile.[1] There are signs of some concentration of holdings and increase in their average size; but the investor's world was so thoroughly upset in 1720–21 that it would not be wise to draw any conclusions from them. However by 1726, when things had settled down, large holdings have become conspicuous and there has also been a rush of Dutch investors.[2] The largest single holding—£104,625. 16*s.* 8*d.*—at the payment of the sixty-fifth half-yearly dividend was that of a Sephardic Jew, Francis Pereira; but the aggregate holdings in the names of the late Duke of Marlborough, of Duchess Sarah, and of Sarah and Godolphin jointly, came to £166,855. Such huge figures are abnormal; but there are from thirty to forty proprietors of more than £20,000 stock. The Dutch rush is best shown under the letter V of the dividend index. It contains two hundred and fifty-three names of which less than thirty are obviously English—Vernons and Vaughans and Vincents. The rest are the Dutch Vans. And there are Dutch names, very important ones, under other letters—Craiesteyn and Muilman for example.

[1] *The Jewish Encyclopaedia*, s.v. Abrabanel.

[2] There was a decline in the proportion of small, non-voting, holders of less than £500 stock. In 1701, as has been seen, they were 1037 out of 1903. When the 65th dividend was paid in Sept. 1726 they were only 1174 out of 4837: *Dividend Books*, 1726

Some stock, but not much, was already held in places more remote than Holland. In November 1725 an official letter in Latin came from Danzig "To the Illustrious and Mighty Lords, the Lords Governors and Directors of the Royal Bank of London, our Worthy Friends". It explained how a Polish colonel, having married a widow of Danzig, had broken open her trunks and started for London with her securities. He would probably try to claim her late husband's rights "in the Stock or Fund of the Bank of England". The writers wished to make it clear that he had no legal title to any "Interest or Income arising therefrom" without her consent.[1] The Bank was warned. Of the Polish colonel we know nothing more.

It was during the thirty years from 1721 to 1751, after England had grown richer during Walpole's long peace; had spent a little of her wealth on the wars of the late thirties and the forties; and had come through the short, gasping, political and economic crisis of 1745, that the proprietary of the Bank took what was to be its characteristic form during the third, and most of the fourth, quarter of the eighteenth century. By 1751 the number of voting proprietors was at its maximum for the century, at 3294. After that there was a considerable concentration of holdings—2588 of £500 and upwards in 1771 and 2465 in 1791. There was also appreciably less transfer of holdings in the later years. In 1771, for instance, 240 proprietors of £500 stock or more were ineligible to vote because they had not held their stock for six calendar months. In 1791 the corresponding figure is ninety-four and in 1801 only fifty-one.[2] This is what might be expected. Bank stock is becoming a more and more gilt-edged investment: those who have got it keep it.

And those who have got it are already by 1751 largely foreigners, and above all Dutchmen. It was a common opinion in the fifties of the eighteenth century that foreigners held a third of the

[1] *Copies of Letters*, 1717–1766, f. 108.

[2] All from the annual lists prepared for the elections.

National Debt and of the Bank and East India stock. (That was one reason for the unpopularity of the Debt—a "tribute" was going out to foreigners, a drain of treasure or *Devisen.*) In the case of Bank stock the common opinion was evidently not far from the truth. Out of the 3294 voting proprietors of 1751 a round 1000 are probably Dutchmen or Flemings, omitting the more doubtful names and some of the Jewish proprietors who may have been domiciled in Holland. Of the 495 proprietors of the first grade, holders of the £4000 qualification for the Governorship, at least 105 are obviously Dutch. And something like a half of these are not merchants or men of business but Dutch noblemen and gentlemen, their wives and widows—Counts, Barons, Jonkheers; the Lord of Oudegeyn, Baron van Spaen, Johanna Maria Boerhave, Countess Dowager de Thoms. Bank stock is doing for the Dutch nobility and gentry what it had begun to do for some of the English thirty years earlier. Besides them there are the hundreds of Dutch urban and commercial investors, both men and women. And there is a considerable list of Dutch charitable corporations which have followed the early example of the Grey Coat School of Westminster: the Directors of the Common Cash of the Collegers holding their Congregation on the Keysersgraft over against the Playhouse within the City of Amsterdam; the Parnassims of the Brotherhood of the Orphan Boys of the Portuguese Jewish Nation of the City of Amsterdam, commonly called Abijetumim; the Deputy of the Chamber of Orphans of the City of Utrecht; and several others.

Even more remote charities had learnt to appreciate the security of Bank stock by 1751—a hospital at Berne and the General Hospital of Geneva. The Swiss were the leading continental bankers and financiers after the Dutch, and no doubt these charities were well advised. But a far more remarkable Swiss investment was political. Among the holders of £4000 stock and upwards appear Their Excellencies the Advoyer the Less and the Grand Council of the laudable City and Canton of

Berne—a sovereign state, if a small one; the first to hold Bank stock.[1]

English endowed corporate charities if anything lagged behind these continental ones. Perhaps because they were not so many or so rich. Besides the Grey Coats, only the Society for the Propagation of the Gospel and the Governors of the Charity for Poor Widows and Children of Norwich and Norfolk appear on the list for 1751. But of other corporate investors there was now a fair number. Eight City Companies are proprietors, with three Cambridge Colleges and one at Oxford. Oxford is represented for the first time, by St John's; and St John's, Cambridge, comes in with the old stockholding Cambridge Colleges, Queens' and Clare. There are also two Insurance Companies; one Ecclesiastical Corporation, the Dean and Chapter of Chichester; and besides the municipal corporation of Yarmouth, the Mayor and Burgesses of Derby.

Of these corporate bodies, English or foreign, only the Canton of Berne, one of the Amsterdam Jewish charities, Clare College, the two Insurance Companies and the Fishmongers' Company of London were really important stockholders; though the Vintners' Company held between £2000 and £3000 stock. All told, corporate investment was a small thing, hardly worth mention in comparison with that of the titled Dutchmen. It tells us more about the hopes and opinions of those who were responsible for it than about Bank finance; though the confidence of these cautious people was one source of the Bank's strength.

The British aristocracy is now well represented among the proprietors. There are twenty-nine names of noblemen, or their widows, or their wives; including those of Argyle, Lonsdale, North, Palmerston, Shelburne, Stanhope, and Vere. But the main body of the proprietors is composed as it always had been of private gentlemen and tradesmen of all sorts, using that word

[1] Gibbon in his *Autobiography* says that, at a later date, Berne was believed to hold £500,000 in the British Funds.

as it was used in the eighteenth century to cover everyone from the not yet knighted East India merchant to the well-to-do haberdasher or bricklayer.

There is no great change during the next thirty years in the general character of the proprietary. More City Companies; more Dutch Charities and a Charity "for the Benefit of the Poor confessing the Reformed Religion in the Valleys of Piedmont"; the Dean and Chapter of St Paul's; a financial corporation from Rotterdam; the London Hospital; and the Professors of Divinity of the University of Utrecht, are among the more interesting new corporate investors. The Professors had an important holding; and so, among private investors, had the first thing to appear on the list resembling a crowned head, though it was not precisely that in the very complex politics of the eighteenth-century Netherlands, the head of His Serene Highness William V, Prince of Orange and Nassau, their Stadholder. At that moment, so tolerant was the eighteenth century, England and Holland were at war with one another, the Dutch having sided with the rebellious American colonies in a conflict which, although it made the United States, almost undid the United Netherlands and was followed by heavy selling-out of British investments by Dutchmen in need of capital at home.[1]

Even before 1780 Dutch interest in Bank stock had declined: there were not so many Dutch holders in 1771 as there had been in 1751. There had been heavy selling in the crisis of 1763.[2] But eighteenth-century tolerance, and the re-establishment of more friendly relations after the peace of 1783, kept plenty of Dutch names on the list of proprietors entitled to vote in 1791; though the number had fallen in the ratio of five to three since its peak year, 1751.

In 1791 there are 2371 proprietors with voting rights. Another ninety-four hold stock enough to qualify as voters but have not held it long enough to get the vote. Out of this total of 2465

[1] See p. 254 above. [2] See p. 239 above.

a trifle more than a sixth (420) have addresses in the United Netherlands; and 111 have other foreign addresses.[1] As might be expected, the other Netherlands—then Austrian, now Belgium—contain a great part of the 111. Antwerp addresses are very common, and there are a number in Brussels and other Belgian towns. The rest are widely scattered—some in Berne and Geneva; several in Danzig; at least one (of a Behrends) from that Frankfurt which Nathan Rothschild was soon to quit for England; a few in Lisbon and a few more in Genoa, Leghorn and Venice. There are also two or three French addresses, but the names are not French. And one address is in Boston, that of Francis Bayard Winthrop, the earliest recorded free American holder of stock in the institution which had helped to finance "the tyrant" George III. (There was an English Winthrop among its Directors.)[2] That was the composition of the foreign proprietary of the Bank two years after the States-General met at Versailles and two years before the great French wars began.

The British proprietary had not changed much in social character, or in the relative importance of individual and corporate holders, since 1751; in social character not very much since the beginning. The list of corporate holders varies as its members buy and sell; but there are very faithful proprietors among the London Companies and the Charities, and one perfectly faithful among the Colleges of the English Universities, Clare College, Cambridge. A few Scottish banks now appear in the list; but as the total number of addresses in Scotland, including theirs, is only thirty-two, it is evident that Scots' savings went—very properly—into that banking system of their own which already was, and within a generation would be recognized as being, if very much poorer yet considerably better organized to

[1] Addresses first appear in the printed *Lists of Proprietors* in 1789. Before that they could be extracted from the Stock Ledgers, but the labour has not seemed worth while.

[2] Benjamin Winthrop, Governor 1804–6.

assist the business life of the country than the more haphazard system of England.

Proprietors of Bank stock qualified to vote in 1791 were still primarily Londoners, as they had always been. Of the nearly 2000 of them who were neither foreigners, nor Scots, nor colonials—there is a St Helena address and one in Halifax, N.S.—more than 1200 had addresses in London or its inner suburbs, and approximately 1500 could be classed as metropolitan. Holding thins out almost exactly by distance from London Stone. Proprietors are abundant in Kent, Essex, Surrey, Hertford and Berkshire. There are a few so far north as Hull and Leeds, but only two in Liverpool and one in Manchester. The rising towns of the North had other uses for their money than purchase of Bank of England stock.

Both among British and foreign proprietors the proportion of widows and spinsters, always considerable, was extraordinarily high by the end of the eighteenth century. Bank stock had long since taken its place beside the Funds as an item in marriage settlements, jointures and portions for unmarried daughters. This helped to give the proprietors' list its remarkable and growing stability. In 1771 those who had bought their stock within the previous six months were over 9 per cent of the holders of £500 stock and upwards: by 1801 the corresponding figure was barely 2 per cent. Even the former figure would be a very low one for any active or speculative security such as Bank stock had been in the early years.

In 1801, when the French wars had been in progress for eight years and cash payments at the Bank suspended for four; when the Income Tax was getting into working order as an emergency element in war finance; when the Netherlands, both Austrian and United, had settled down into departments of what would soon be the Napoleonic Empire—there were still 287 proprietors of Bank stock with Dutch addresses, including those Professors of Divinity in the University of Utrecht. There were eighty-eight

other foreign addresses of proprietors, a number of whom were on the other side of the line of battle—but not Phineas Bond of Philadelphia or T. Dickason of Boston, Mass. The battle line had not acquired its brutal twentieth-century perfection. England boasted of the French uniform cloth made in Yorkshire and the French regimental badges from Birmingham. Once at least during the Peninsular war Nathan Rothschild found that the easiest way to remit money to Wellington's armies was *via* France. So the foreign proprietors may have got their dividends and even the 10 per cent capital bonus voted in 1799.[1] The records of the Bank do not tell; they register simply that the dividends and the bonus were paid over to agents who held the foreigners' powers of attorney.[2] We do however know that the bonus voted after Waterloo raised the Professors' holding by twenty-five per cent to a figure at which it still stood in this present century.

[1] *C.B. Aa*, 14 March 1799.

[2] The Professors' agent down to 1802 was Gerard Bachus, from 1802 Sir Charles Pole: *Bank Stock Ledgers*. Their holding had been left to them by a benefactor.

APPENDIX A

THE TECHNICAL TERMS IN USE DURING THE EARLY YEARS OF THE BANK'S HISTORY

A Director of the Bank who read the proofs thought that it might be a convenience to other readers if the various technical terms were collected together and explained in an Appendix. They are mostly explained in the text as they occur, but the explanations are here repeated, amplified, or made more precise.

Accomptable Note: one of the original forms of Bank paper: in effect a deposit receipt: a depositor could draw against it or write off from it, the withdrawals being endorsed on the note. In 1701 an Accomptable Note payable to A. B. or bearer was sanctioned (*C.B. D*, 20 Aug. 1701) of which, however, no specimen survives. Accomptable Notes were in regular use for over forty years; but from 1741 the Ledgers contain only a dead liability on them of £700. 1*s.* 9*d.* (See pp. 21, 145.)

Bank Post Bill: a bill payable at first 3, subsequently 7, days after issue; for greater security in transit; issued continuously, 1728–1934.

Bill of Exchange: has its modern meaning: the complete assignability of the Bill of Exchange, allowed by the Law Merchant, was recognised by the Common Law Courts in the decades immediately before and after the foundation of the Bank. (See Holdsworth, *A History of English Law*, vol. VIII, ch. 4.)

Bill of Property: a vague term only met with in the parliamentary discussions of Paterson's original project. (See p. 16.)

Cashier's Notes: see *Running Cash Notes*.

Cheque or *Check:* originally check-paper, on which "drawn notes" or "drawn bills" were written: much later transferred to the "drawn note" itself. (See pp. 5, 121, 142, 143.)

Circulation Notes: interest-bearing notes issued in 1720 and 1745 in connection with calls on "the Circulation": of no general importance. (See pp. 68, n. 2, 72, n. 1.)

Debenture (Debentur): an old Exchequer term, not used at all at the Bank. Debentures were issued to officials, annuitants, etc. to whom the Exchequer owed payment. (See p. 5.)

Deposits: has its modern meaning. (See p. 20.)

Drawn Bill or *Drawn Note:* the modern cheque. (See pp. 6, 141.)

Goldsmiths' Notes: the original bank-notes: the goldsmiths' promise to pay A. B. or order *or* A. B. or bearer. (See pp. 10, 32.)

Inland Bills of Exchange, both to order and to bearer, "were in frequent use in England in the years immediately following the Restoration" (Richards, R. D., *The Early History of Banking in England,* p. 47) and so were at once available for discount at the Bank. (See pp. 123–4, 130.)

Notes on Marbled Paper: an experimental type of note issued in 1695 but immediately discontinued. (See pp. 23, n. 4, 144.)

Promissory Notes: confused by late Stuart lawyers with bills of exchange, they were popularised by the goldsmiths and the Bank. The year before the Bank was founded, it had been decided in Court that a promissory note to order could be transferred by endorsement. This decision was reversed in 1703, but established by an Act of 1704 (3 & 4 Anne, c. 9) which made all kinds of promissory notes negotiable. (See Holdsworth, as above.)

Running Cash Notes, also called *Cashier's Notes:* one of the three original types of Bank paper: the Bank Note *par excellence*: printed in blank without amounts from the start (31 July 1694): occasionally interest-bearing, but normally not: in the ledgers of the mid-eighteenth century often called "specie" or "cash" notes, because payable on demand. (See pp. 22, 145 and *passim.*)

Sealed Bills: the third original type of Bank paper, the most formal type, and the only type officially contemplated in the Act of foundation: drawn to order: normally interest-bearing though occasionally not: not used after 1716. (See pp. 17, 22, 144.)

Specie Exchequer Bills: Bills which the Bank was prepared to cash at first sight, instead of waiting until they had once passed the Exchequer in payment of taxes, etc. (See pp. 64, 67.)

Specie Notes: emergency notes, yielding interest and promising to repay "in the same specie" deposits of gold or good silver coin. First used in 1696 and revived for a time at the South Sea crisis in 1720. (See pp. 37, 41–2, 145.)

Tallies of Loan: tallies which, like the original tally, recognised a receipt, but the receipt being of a loan, not a tax, they were accompanied by an interest-bearing order which was negotiable. (See pp. 11, 47.)

APPENDIX B

DIVIDENDS FROM PROFITS DECLARED 1695–1797

1695	6 and 4	1715	3¾ and 4
1696	Nil	1716–18	4 and 4
*1697	3½ and 4	1719	4 and 3½
†1698	6. 3. 2½	1720	3½ and 4
†1699	4½ and 5	1721–7	3 and 3
†1700	5. 0. 0¼ and 5. 0. 0¾	1728–9	2¾ and 2¾
		1730–2	3 and 2¾
†1701	4½ and 4½	1733–46	2¾ and 2¾
†1702–3	4¾ and 4¾	1747–52	2½ and 2½
†1704	4½ and 4¼	1753–63	2¼ and 2¼
†1705–6	3½ and 3½	1764	2¼ and 2½
†1707	3. 11. 11½ and 4	1765–6	2½ and 2½
1708	4¼ and 8¼	1767	2½ and 2¾
1709	4½, 7½ and 4	1768–80	2¾ and 2¾
1710	4 and 3½	1781	2¾ and 3
1711	3½ and 3½	1782–7	3 and 3
1712–14	4 and 4	1788–97	3½ and 3½

* Also the bonus of 20% from profits to make the old shares fully paid up. Above p. 48.

† In these years capital dividends were also declared in connection with the repayment of the 'ingrafted tallies': see p. 46 and p. 51 above.

APPENDIX C

BULLION, CIRCULATION, DRAWING ACCOUNTS AND 'REST', 1720–1797

In the *Report on the Bank Charter* of 1832 (*A. & P.* 1831–2, VI, Appendix 5) is a return made by the Bank, on the basis of its half-yearly statements, of its circulation, deposits, bullion, securities and 'rest' of undivided profits for the years 1778–1832. Comparing these returns with the originals one can see the basis on which they were compiled. Circulation is notes created less those in a 'store' of notes included in the Ledgers and Statements under 'cash'. Fortunately, in the *Yearly Statements*, compiled from the Ledgers for 1729–73, and in the *Half Yearly Statements* which follow on, the amount to be deducted from 'notes' and 'cash' to arrive at the net circulation has been pencilled in by a Bank official. On this the circulation figures of 1831–2 are based.

Bullion in the 1832 return covers gold and silver of every sort including the small sum of hard coin in the cash.

The 'rest' is the balance on the profit and loss account, the 'balance of gains resting' or 'net gains resting'. It was £76,000 in August 1695. It never fell below £71,000, and by 1713 stood at £194,000. These three sets of figures are strictly comparable with those of the 1832 Return from 1728–9. They have been carried back from the Ledgers in the accompanying table to 1720; but for the years 1720–8 the pencilled guidance about the notes is lacking. I have assumed the same amount of coin in the cash as in 1728–9; but as notes only had amounts printed on them from

1725 it is not easy to see how a 'store' of unissued notes could be valued in the early twenties. Hence the uncertainty.

Deposits as returned in 1832 included (i) balances in the drawing accounts, (ii) Bank dividends voted but not yet paid out, (iii) the balances in the 'Exchequer and Audit Roll' of dividends on government stocks managed by the Bank, received but not yet paid out. In 1778 the drawing account balances were about half the deposits so defined (£2,355,000 out of £4,700,000). They would become a larger proportion the further back one goes—smaller figures under (ii) and (iii); but as they are nowhere summarised in annual form it has not been possible to include them.

So with the securities. The main item in public securities was always the Exchequer Bills and in the private securities the Bills and Notes discounted. These could be traced back without much difficulty to 1729 at latest; but the other items would present more difficulty. For the public securities they are unimportant. Even in 1778, out of £7,898,000 of public securities, £7,726,000 were the Exchequer Bills. The rest were Navy and Victualling Bills, Treasury Bills of Exchange, and a few minor items. Private securities other than the Bills and Notes were much more important and for the period before 1778 are nowhere summarised in the surviving books. They include bonds given by debtors, perhaps a few mortgage documents, and so on.

It is for these reasons that the sections of the 1832 return which deal with deposits and securities have not been carried back from 1778. But drawing account balances are tabulated. In this period no distinction was made between public and private balances. It may be noted that when the distinction was first drawn (August, 1806) the public balances were seven times the private—£5,091,000 v. £723,000—but at a time of high taxation and high public expenditure.

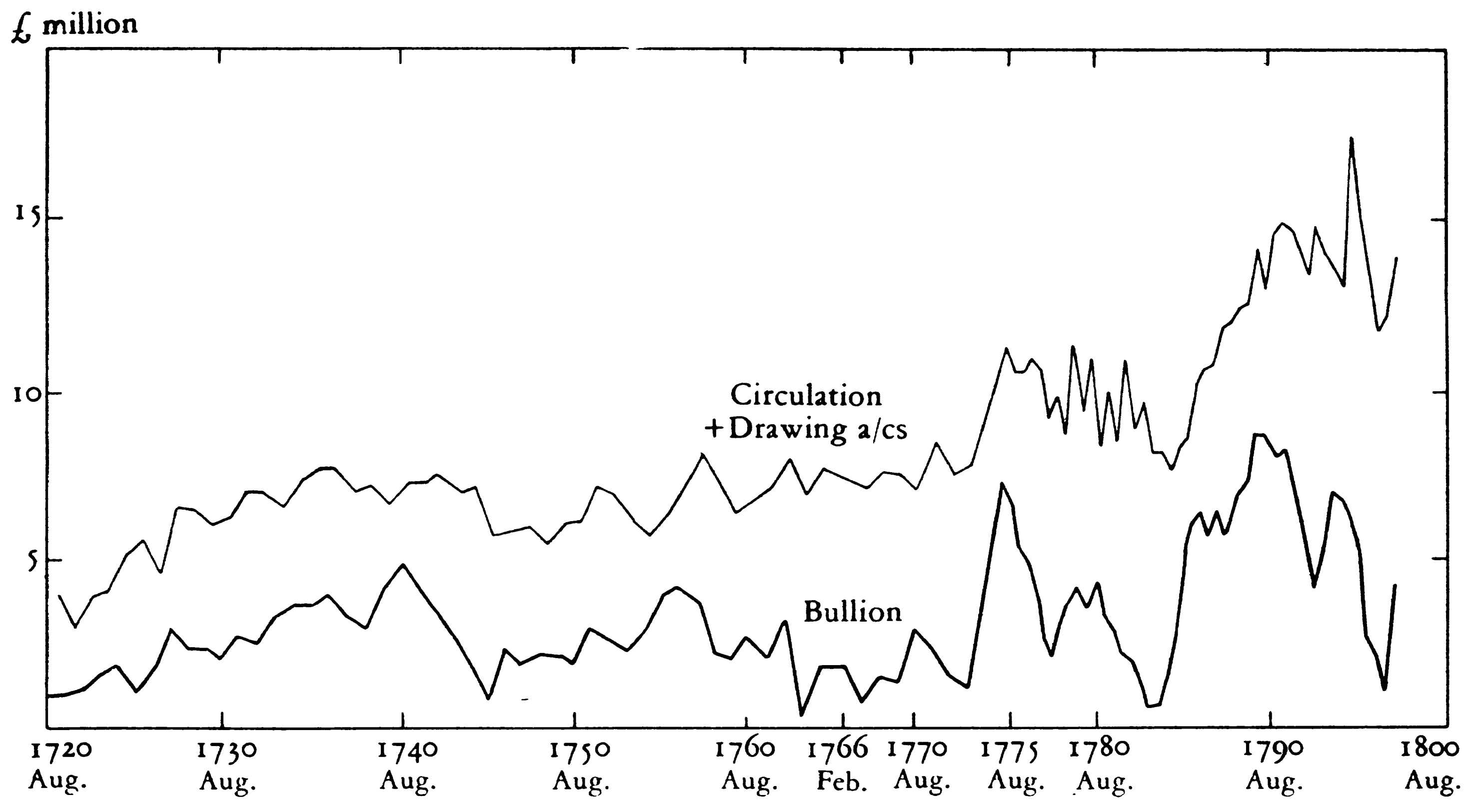
	Bullion	Circulation	Drawing Accounts	'Rest'
1720	*1,001,000	*2,480,000	1,568,000	145,000
1721	*1,048,000	*1,925,000	1,108,000	133,000
1722	*1,246,000	*2,762,000	1,198,000	166,000
1723	*1,658,000	*3,323,000	791,000	410,000
1724	*1,918,000	*3,758,000	1,479,000	537,000
1725	*1,178,000	*4,470,000	1,233,000	283,000
1726	*1,763,000	*2,966,000	1,703,000	311,000
1727	*2,961,000	*4,465,000	2,129,000	303,000
1728	*2,444,000	*4,281,000	2,256,000	281,000
1729	2,324,000	4,200,000	1,919,000	290,000
1730	2,201,000	4,416,000	1,888,000	298,000
1731	2,691,000	5,250,000	1,805,000	295,000
1732	2,537,000	4,592,000	2,459,000	280,000
1733	3,356,000	4,543,000	2,038,000	275,000
1734	3,714,000	4,573,000	2,825,000	278,000
1735	3,736,000	4,739,000	2,917,000	284,000
1736	3,968,000	5,078,000	2,599,000	291,000
1737	3,317,000	4,415,000	2,607,000	309,000
1738	2,980,000	4,609,000	2,549,000	308,000
1739	4,087,000	4,062,000	2,671,000	307,000
1740	4,801,000	4,444,000	2,845,000	308,000
1741	4,075,000	4,084,000	3,203,000	300,000
1742	3,424,000	5,011,000	2,732,000	325,000
1743	2,613,000	4,250,000	2,745,000	352,000
1744	1,732,000	4,270,000	2,868,000	370,000
1745	808,000	3,465,000	2,172,000	346,000
1746	2,335,000	3,845,000	1,978,000	308,000
1747	1,938,000	3,652,000	2,441,000	279,000
1748	2,179,000	3,790,000	1,683,000	280,000
1749	2,062,000	4,183,000	1,880,000	338,000
1750	1,959,000	4,318,000	1,914,000	358,000
1751	2,970,000	5,195,000	1,933,000	330,000
1752	2,730,000	4,750,000	2,135,000	290,000
1753	2,289,000	4,420,000	1,723,000	262,000
1754	2,829,000	4,081,000	1,675,000	310,000

* An element of conjecture in these figures.

		Bullion	Circulation	Drawing Accounts	'Rest'
1755		3,789,000	4,115,000	2,259,000	285,000
1756		4,034,000	4,516,000	2,815,000	259,000
1757		3,727,000	5,150,000	3,052,000	265,000
1758		2,241,000	4,864,000	2,328,000	295,000
1759		2,208,000	4,800,000	1,620,000	363,000
1760		2,628,000	4,936,000	1,913,000	297,000
1761		2,020,000	5,247,000	1,814,000	347,000
1762		3,053,000	5,887,000	2,121,000	484,000
1763		367,000	5,315,000	1,550,000	515,000
**1764*		1,873,000	6,211,000	1,504,000	512,000
1765		*No August statement*			
†*1766*		1,871,000	5,846,000	1,497,000	484,000
†*1767*		818,000	5,511,000	1,568,000	384,000
†*1768*		1,564,000	5,779,000	1,797,000	499,000
†*1769*		1,379,000	5,707,000	1,810,000	437,000
†*1770*		2,873,000	5,237,000	1,820,000	614,000
†*1771*		2,278,000	6,823,000	1,716,000	593,000
†*1772*		1,504,000	5,962,000	1,553,000	666,000
†*1773*		1,192,000	6,037,000	1,784,000	648,000
1774		*No February statement*			
1775	*Feb.*	7,142,000	9,125,000	2,131,000	858,000
	Aug.	6,515,000	8,398,000	2,140,000	885,000
1776	*Feb.*	5,373,000	8,701,000	1,820,000	885,000
	Aug.	4,909,000	8,551,000	2,395,000	833,000
1777	*Feb.*	3,905,000	8,712,000	1,924,000	1,026,000
	Aug.	2,653,000	7,354,000	1,792,000	976,000
1778	*Feb.*	2,011,000	7,440,000	2,355,000	1,219,000
	Aug.	3,128,000	6,758,000	2,008,000	1,283,000
1779	*Feb.*	3,711,000	9,013,000	2,333,000	1,276,000
	Aug.	3,983,000	7,277,000	2,149,000	1,356,000
1780	*Feb.*	3,581,000	8,411,000	2,547,000	1,347,000
	Aug.	4,179,000	6,342,000	2,065,000	1,528,000

* To this date all statements are as at Aug. 31.
† February statement, 28 or 29 Feb.

		Bullion	Circulation	Drawing Accounts	'Rest'
1781	Feb.	3,280,000	7,092,000	2,969,000	1,577,000
	Aug.	2,863,000	6,309,000	2,159,000	1,712,000
1782	Feb.	2,158,000	8,029,000	2,882,000	1,793,000
	Aug.	1,957,000	6,759,000	2,157,000	1,922,000
1783	Feb.	1,321,000	7,675,000	1,959,000	1,977,000
	Aug	590,000	6,307,000	1,862,000	2,019,000
1784	Feb.	656,000	6,203,000	1,898,000	2,168,000
	Aug.	1,540,000	5,593,000	2,041,000	2,205,000
1785	Feb.	2,741,000	5,923,000	2,447,000	2,321,000
	Aug.	5,487,000	6,571,000	2,053,000	2,609,000
1786	Feb.	5,979,000	7,582,000	2,576,000	2,599,000
	Aug.	6,311,000	8,184,000	2,435,000	2,638,000
1787	Feb.	5,627,000	8,330,000	2,393,000	2,754,000
	Aug.	6,293,000	9,686,000	2,145,000	2,829,000
1788	Feb.	5,743,000	9,561,000	2,419,000	2,870,000
	Aug.	6,899,000	10,003,000	2,379,000	2,938,000
1789	Feb.	7,229,000	9,807,000	2,660,000	2,845,000
	Aug.	8,646,000	11,122,000	2,970,000	2,819,000
1790	Feb.	8,633,000	10,041,000	2,858,000	2,701,000
	Aug.	8,386,000	11,433,000	3,056,000	2,757,000
1791	Feb.	7,869,000	11,440,000	3,483,000	2,668,000
	Aug.	8,056,000	11,672,000	3,044,000	2,765,000
1792	Feb.	6,468,000	11,307,000	2,843,000	2,706,000
	Aug.	5,357,000	11,006,000	2,285,000	2,731,000
1793	Feb.	4,011,000	11,889,000	2,850,000	2,781,000
	Aug.	5,322,000	10,865,000	3,169,000	2,824,000
1794	Feb.	6,987,000	10,744,000	2,852,000	2,876,000
	Aug.	6,770,000	10,287,000	2,699,000	2,994,000
1795	Feb.	6,128,000	14,018,000	3,466,000	2,949,000
	Aug.	5,136,000	10,862,000	3,965,000	3,109,000
1796	Feb.	2,540,000	10,730,000	2,727,000	3,248,000
	Aug.	2,123,000	9,247,000	2,316,000	3,245,000
1797	Feb.	1,086,000	9,675,000	2,554,000	3,358,000
	Aug.	4,090,000	11,114,000	2,733,000	3,471,000



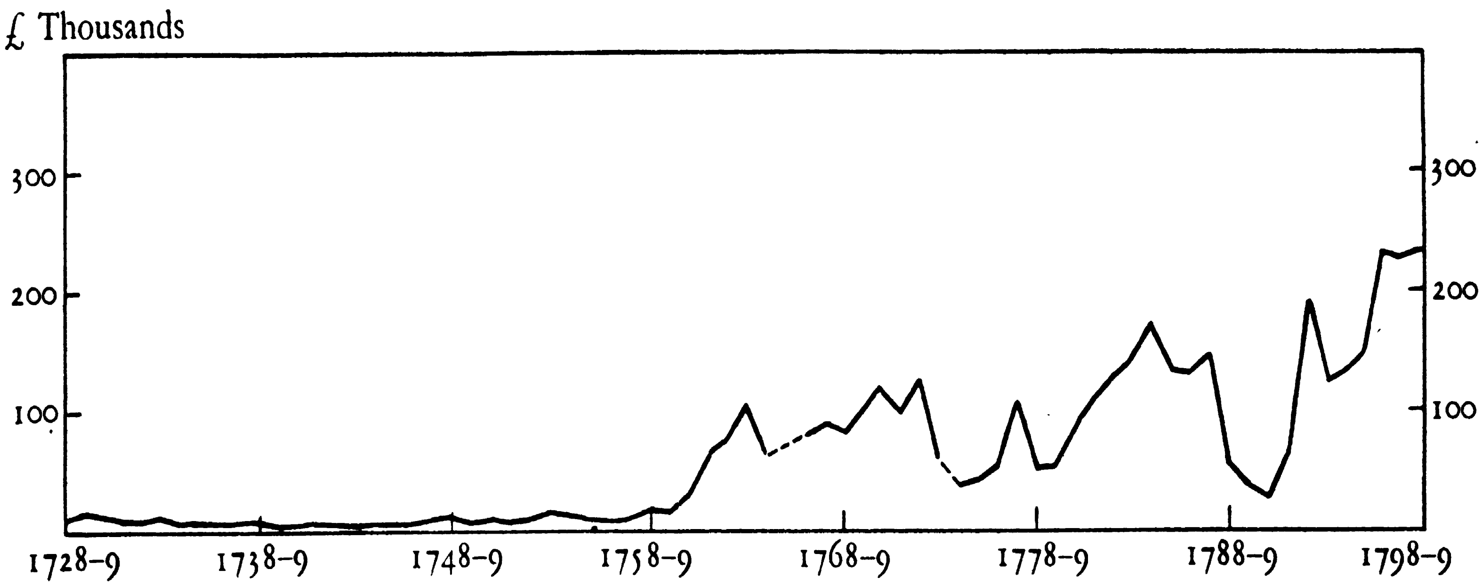
Notes. (i) From 1775 both February and August figures are plotted.

(ii) From 1778 to 1797, both included, the "deposits", as returned in 1832, averaged 3·3 millions more than the drawing accounts. The main items of the difference are dividends on government stocks, in the Exchequer and Audit Roll, not yet paid out, and Bank dividends, the same.

APPENDIX D

DISCOUNT RATES, AS SHEWN BY THE COURT BOOKS, 1694–1822

Date (of Minutes)	Inland Bills	Foreign Bills
	%	%
1694 Aug. 8		6
30		4½
Oct. 24	6 (for customers)	
Dec. 19	6	
1695 Jan. 16	6	6
	4½ (for customers)	3 (for customers)
May 29	3 (for customers)	
1698 Jan. 12		4½ (for customers)
1699 June 28	4½ (for customers)	
1705 Feb. 28		4 (if payable at the Bank)
		5 (if not so payable)
1710 June 22		5
1716 July 26	4 (for customers)	4 (for customers)
1719 Apl. 30	5 (for customers)	5 (for customers)
1720 Oct. 27		5 (for customers)
1722 Aug. 23		4
1742 Nov. 18	5	4
1745 Dec. 12		5
1746 Apl. 17	5	5
May 1	5	4
1773 May 13		5
1822 June 20	4	4



Income from Bills and Notes Discounted

APPENDIX E

THE BANK'S INCOME FROM DISCOUNTS AND PRIVATE LOANS, 1728–1798

	Bills and Notes discounted	*Private Loans*		*Bills and Notes discounted*	*Private Loans*
**1728–29*	£13,225	£ 634	*1749–50*	6,371	5,762
1729–30	15,992	206	*1750–51*	8,153	21,632
1730–31	12,483	7,679	*1751–52*	4,994	3,624
1731–32	8,249	17,850	*1752–53*	8,470	3,276
1732–33	7,845	2,426	*1753–54*	15,016	17,805
1733–34	12,650	2,567	*1754–55*	11,350	19,458
1734–35	6,915	4,835	*1755–56*	8,464	22,522
1735–36	6,562	2,055	*1756–57*	6,219	23,816
1736–37	6,233	2,928	*1757–58*	12,224	22,748
1737–38	7,887	2,737	*1758–59*	17,747	25,294
1738–39	6,595	1,307	*1759–60*	14,942	27,616
1739–40	4,050	1,525	*1760–61*	30,319	22,864
1740–41	4,074	1,603	*1761–62*	61,090	21,861
1741–42	5,731	1,906	*1762–63*	79,166	20,660
1742–43	3,475	1,716	*1763–64*	101,746	20,236
1743–44	3,175	1,559	*1764–65*	61,308	18,188
1744–45	3,232	2,106	[Aug. 1765–Feb. 1766		
1745–46	2,934	1,950		33,014	8,704]
1746–47	4,565	1,651	*†1766–67*	80,421	21,084
1747–48	11,214	3,655	*1767–68*	87,877	22,601
1748–49	10,623	7,652	*1768–69*	80,397	20,842

* Year Aug. 31–Aug. 31. † Year Feb. 28 or 29–Feb. 28 or 29.

	Bills and Notes discounted	*Private Loans*		*Bills and Notes discounted*	*Private Loans*
1769–70	97,768	20,030	*1783–84*	139,661	6,563
1770–71	118,918	19,961	*1784–85*	167,607	15,906
1771–72	95,303	18,160	*1785–86*	130,481	16,282
1772–73	124,293	32,276	*1786–87*	129,685	16,333
1773–74	57,546	21,361	*1787–88*	141,070	13,643
[Feb.–Aug.			*1788–89*	58,177	23,532
1774	14,785	4,186]	*1789–90*	35,090	39,670
**1774–75*	36,066	4,799	*1790–91*	26,520	22,518
1775–76	40,621	7,003	*1791–92*	68,721	35
1776–77	58,386	9,115	*1792–93*	193,823	23,429
1777–78	102,729	12,069	*1793–94*	123,870	24,103
1778–79	51,740	12,535	*1794–95*	134,133	26,445
1779–80	55,414	4,992	*1795–96*	147,401	34,907
1780–81	84,390	4,944	*1796–97*	233,815	84,349
1781–82	106,100	5,276	*1797–98*	229,606	41,949
1782–83	126,595	8,851			

* Year Aug. 31–Aug. 31.

APPENDIX F

THE BOOKS OF THE BANK

FROM ITS FOUNDATION TO THE END OF THE EIGHTEENTH CENTURY

The series or books which have survived are:

I. *Series*

(i) *Bank Stock Ledgers*, with records of the various holdings. The series is complete. Based on it are the printed *Lists of Proprietors*, fairly complete from 1701.

Dividend Books: a very defective series, with dividend payments: only samples have been preserved.

(ii) *Bank Accounts. General Ledgers:* a complete series in ponderous folios. There are seventeen for the years 1695–1805, with supplementary volumes, in the earliest years for the Remises and in later years for the Exchequer and Audit Roll (see pp. 26 and 187). The first covers the period from 1 June 1695 to 31 December 1698.

Journals: a complete series of day-to-day transactions, beginning 1 June 1695.

Cash Books: a very defective series, of which, however, the earliest survive. The books are in pairs, morning and afternoon. Book A begins on 27 July; its companion book on 3 August (see Note, p. 304 below).

Yearly Accounts (1729–73) and *Half-Yearly Statements* (1773 seq.): summary volumes based on the General Ledgers.

(iii) *Drawing Accounts. Drawing Office Ledgers:* an immense series of all accounts from the beginning, with Alphabets (Indices).

Firm Books, with signatures of customers: the earliest begins in 1727. There are eight consecutive volumes.

(iv) *Bank Notes*. The original Bank Note Ledgers have not survived. Based on them are the surviving Clearers, i.e. records of notes 'cleared'—the *Old Clearer*, 1697–1764; No. 7 *Clearer*, 1764–94. There is also *Clearing Note Book* No. 1, 1697–1709.

(v) *Minutes and Correspondence. Minutes of the General Court:* complete. *Minutes of the Court of Directors:* complete.

Minutes of the Committee of Treasury: a volume, 1779–83; from May 1789 complete.

Letters: a volume, *Copies of Letters,* with a mixed selection, 1717–66; *Letters,* from 1783 complete.

II. *Miscellaneous Books,* in chronological order

The Books of the Subscriptions, 1694 and 1697, with subscribers' signatures.
Bank Stock Journal (with Journal in Shorthand), 1694.
Journal of the Books in the Accountant's Office, 1694–1717.
Governors' Memorandum Books, 1695–1722.
Instruments which have passed the Bank Seal, 1697 seq.
Bank Notes Lost, 1697–1706.
Bills and Notes Discounted, 1702–9.
Abstracts of Quietuses and Audit Rolls, 1710–85.
Tallies and Orders Delivered, 1718–24.
Register, No. 1, 1721–99, contains originals of authorisations to draw on accounts, with a few bankers' orders and other communications from customers.
Discounted Bills Unpaid Ledgers, 1728–70, 1770–93.
H.M. Exchequer Books (Cash), 1732–1809.
"*In the Great Iron Chest in the Parlour*": accounts of deposits for money lent, 1735–52.
Post Bills Abstract, 1738–1854.
"*Monies Received*", 1745–52.
Bullion Ledgers, 1770–1809.
Copies of Memorials, etc. for Parliament, 1773 seq.
Voluntary Contribution to the War with France, 1798.

Note on the Cash Books and the original subscription

The survival of the first cash-books enables us to follow the payment of the original subscriptions. The first entry in Book A (27 July 1694) is "cash for ¼ of the £1,200,000 subscribed", from the Commissioners for the Subscription, £300,000. After that there is a series of entries of "stock and subscription cash brought from stock cash book", in connection with the calls. The second 25 per cent was due by Michaelmas. By 30 September £204,933 out of the £300,000 due had been

paid in. Another 10 per cent. was due by 27 November. At the end of the year £95,225 had been paid. Two further books carry the record to 31 May 1695: they contain no more "stock" payments, and there is no evidence of money being put aside in "the Vault", as it was later (see p. 42 above). Apparently then £600,158 was the full immediate response to calls of £720,000. In its first statement, of November 1696, the Bank reported £101,755 "unpaid on account of the Stock, for which Bonds are given...so reckoned as Cash" (see p. 43 above). The deficiency of £119,842 in May 1695 had thus been slightly reduced. Its reduction cannot be followed because the next Cash Books have not survived.